

Due Diligence Review and Analysis Report

**THE ACQUISITION OF
GTECH HOLDINGS CORPORATION
BY LOTTOMATICA S.p.A.**

Dated July 25, 2006



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I. OVERVIEW.

A. The Transaction.

Lottomatica, S.p.A., an Italian corporation ("Lottomatica"), announced on January 10, 2006 its intention to acquire GTECH Holdings Corporation, a publicly-held Delaware corporation and parent company of GTECH Corporation, a Delaware corporation based in Rhode Island (the "Proposed Transaction").¹ As used in this Due Diligence Review and Analysis Report (the "Report"), the term "GTECH" means, collectively, GTECH Holdings Corporation and all of its subsidiaries. The Proposed Transaction is structured as a merger by Gold Acquisition Corp., a newly-formed indirect Delaware subsidiary of Lottomatica ("Gold Acquisition"), with and into GTECH Holdings Corporation, with GTECH Holdings Corporation being the surviving entity. Gold Acquisition is wholly-owned by Gold Holding Co., a newly-formed Delaware corporation and direct subsidiary of Lottomatica ("Gold Holding"), which will, upon completion of the Proposed Transaction, become the parent of GTECH Holdings Corporation. Approximately fifty-six percent (56%) of Lottomatica is owned by De Agostini, S.p.A., an Italian, family-owned corporation ("De Agostini"), with the remainder being publicly-traded on the Mercato Telematico Azionario (the "Milan Stock Exchange"). GTECH Corporation, which is currently the operating subsidiary of GTECH Holdings Corporation, will continue to be the principal GTECH operating company after the Proposed Transaction is completed.² The current shareholders of

¹ See Joint Lottomatica and GTECH Holdings Corporation Press Release dated January 10, 2006, "Lottomatica Agrees To Acquire GTECH Holdings To Create Leading Gaming Solutions Company" and Confidential Executive Summary of Merger Transaction, both of which are a part of the "Acquisition of GTECH - A Transaction Summary," dated February 2006 (the "Proposed Transaction Summary"), which is Exhibit 1 to this Report.

² Lottomatica is considering a subsequent merger in which GTECH Holdings Corporation will merge into GTECH Corporation, resulting in GTECH Corporation being a wholly-owned subsidiary of Gold Holding, upon which time Gold Holding may change its name to GTECH Holdings Corporation.

GTECH Holdings Corporation will receive cash consideration upon the consummation of the Proposed Transaction in the amount of \$35.00 per share. **Exhibit 2** to this Report is a letter dated June 5, 2006 from GTECH Corporation to the State of Rhode Island Department of Administration (the “DOA”) requesting the consent of the Rhode Island Lottery (as defined below) to the Proposed Transaction and confirmation that the consummation of the Proposed Transaction will not result in the termination of the Master Contract dated May 12, 2003 between the Rhode Island Lottery (as defined below) and GTECH Corporation (the “Master Contract”).

B. The State Agencies and Legal/Regulatory Requirements.

The State of Rhode Island, acting through the state lottery division (the “Rhode Island Lottery”)³ of the Department of Revenue (the “DOR”)⁴, is responsible for reviewing the Proposed Transaction to ensure that the ultimate, post-transaction owners (*i.e.*, Lottomatica and De Agostini) of the Technology Provider License (as defined below) previously issued by the Rhode Island Lottery to GTECH Corporation meet the stringent requirements for such ownership established pursuant to the State Lottery Act (as defined below), Lottery Regulations (as defined below) and certain contracts previously entered into by the Rhode Island Lottery and GTECH Corporation.

1. The Rhode Island Lottery License.

In 1992, the Rhode Island Lottery issued GTECH Corporation a video lottery terminal technology provider license (the “Technology Provider License”) pursuant to

³ As used herein, the term “Rhode Island Lottery” refers to the state lottery division within the Department of Revenue. Rhode Island Lottery became a division within the Department of Revenue pursuant to legislation enacted on June 30, 2006. Immediately prior to such reassignment of the Rhode Island Lottery, it was a division within the DOA. The DOA had previously replaced the Rhode Island Lottery Commission pursuant to legislation adopted in 2005 (the “2005 Lottery Legislation”). See R.I. Gen. Laws § 42-61-1. For actions taken prior to adoption of the 2005 Lottery Legislation, the term “Rhode Island Lottery” refers to the Rhode Island Lottery Commission.

⁴ As used herein, the term “State” means the State of Rhode Island and/or the DOR.

Section 21.4 of the Rules and Regulations of the Lottery Commission in the form of a Video Lottery Terminal Technology Provider License Agreement, the term of which has been extended through subsequent Video Lottery Terminal Technology Provider License Agreements executed in 1997 and 2000. The most recent Video Lottery Terminal Technology Provider License Agreement entered into by GTECH Corporation and the Rhode Island Lottery as of September 28, 2000 has been further amended and extended pursuant to the Master Contract.

The Rhode Island Lottery has adopted stringent standards for issuing technology provider licenses, as well as provisions for monitoring licensees, which include requirements for obtaining audited financial statements and other operating information from licensees.

2. Other Rhode Island Agency Licenses.

The Division of Commercial Licensing and Racing and Athletics (the “Division of Commercial Licensing”) within the Rhode Island Department of Business Regulation (the “DBR”) has issued approximately fifty (50) “Concessionaire Employee” licenses to certain GTECH employees located pari-mutual betting facilities in Rhode Island pursuant to R.I. Gen. Laws § 41-4-9.1 and R.I. Gen. Laws § 41-7-10. The issuance of these licenses by the DBR to GTECH Corporation employees was based upon a background review of the individual employees. GTECH Corporation is not currently licensed by the DBR, and therefore, no approval of or consent to the Proposed Transaction is required by the DBR.

C. The Rhode Island/GTECH Agreements.

Under the Master Contract, GTECH Corporation is currently retained by the Rhode Island Lottery to be the Rhode Island Lottery’s exclusive provider of certain

information technology, hardware, software and related services for a twenty (20) year term expiring in 2023, as described herein. The Master Contract is Exhibit 3 to this Report.

Pursuant to the Master Contract, GTECH Corporation has committed, among other things, to:

1. construct a new office building in Providence, Rhode Island to house its corporate headquarters;
2. maintain its headquarters in Providence, Rhode Island throughout the twenty-year term of the Master Contract;
3. expand its manufacturing operations in its West Greenwich, Rhode Island facility;
4. maintain at least 1,000 employees in Rhode Island;
5. invest \$100 million in Rhode Island by December 31, 2008; and
6. replace the Rhode Island Lottery's on-line gaming system, central communications system and machines at certain intervals.

GTECH Corporation also paid the Rhode Island Lottery \$12.5 million in exchange for acquiring from the Rhode Island Lottery a twenty-year right and license to be its exclusive provider of information technology, hardware, software and related services for: (1) the Rhode Island Lottery's video lottery central communication system; (2) On-Line Games (as defined in the Master Contract); and (3) processing of On-Line Game wagers and video lottery wagers and to have rights with respect to the supply of Video Lottery Terminals (as defined in the Master Contract), other gaming machines and the provision of other lottery services.

The Master Contract also amended certain sections of the Video Lottery Central Computer System Agreement, the Video Lottery Terminal Technology Provider License Agreement and the On-Line Gaming Agreement between GTECH Corporation and the Rhode Island Lottery (as so amended by the Master Contract and any other amendments described herein, the “CCS Agreement,” “VLT Agreement” and “OLG Agreement,” respectively), each of which is reviewed in detail in Section IV of this Report. The CCS Agreement, the VLT Agreement and the OLG Agreement are collectively referred to herein as the “Related GTECH Rhode Island Agreements” and, together with the Master Contract, the “GTECH Rhode Island Agreements.”

The Master Contract’s provision with respect to the change of control of GTECH Corporation provides that the Rhode Island Lottery must consent to a change of control of GTECH Corporation, unless the acquiror or any of its officers or directors: (1) is debarred from participating in a procurement by any federal department or agency of the United States, or by any state; (2) has, in the past three years, been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public contract; (3) has, in the past three years, had one or more public contracts terminated for cause or default; and/or (4) has, at the time of the transaction, a bond rating by Moody’s Investors Services (“Moody’s”) or Standard & Poor’s Rating Service (“Standard & Poor’s”) below “B”.

Each of the GTECH Rhode Island Agreements requires GTECH Corporation to provide certain products and services and to maintain certain insurance and bonding standards. In certain circumstances, failure by GTECH Corporation to meet such requirements may be grounds for termination by the Rhode Island Lottery of the GTECH Rhode Island Agreements, subject, in some cases, to notice and cure provisions. In

addition, each of the GTECH Rhode Island Agreements may be terminated by the Rhode Island Lottery in the event of intentional fraud or serious misconduct on the part of GTECH Corporation that causes a certain percentage drop in income measured over a certain period of time; provided however that, other than with respect to the Master Contract, such intentional fraud or serious misconduct on the part of GTECH Corporation may not be presumed solely because of such drop in income. The Rhode Island Lottery may also terminate the Master Contract if, after a notice and cure period, GTECH Corporation fails to comply with the provisions related to its corporate headquarters, investment obligations or employment obligations.

D. The Due Diligence Investigation of the Proposed Transaction.

As discussed in greater detail in Sections V.A. and V.B. of this Report, in February 2006 the State engaged Brown Rudnick Berlack Israels LLP ("Brown Rudnick") to aid it in protecting the interests of the State in connection with the Proposed Transaction.⁵ Specifically, the State retained Brown Rudnick to conduct a due diligence investigation of: (1) GTECH, Lottomatica, De Agostini and certain of their corporate affiliates (collectively, the "Corporate Subjects"), in various areas including, but not limited to, the Corporate Subjects' management, stockholders, corporate matters, risk profile and financing structures; (2) the Proposed Transaction; (3) the operational stability of the proposed Combined Company on a "going-forward" basis; and (4) the competition in the markets of the Corporate Subjects.

⁵ At the inception of Brown Rudnick's engagement, the Rhode Island Lottery was a department of the DOA, and therefore, it was the DOA that initiated the review of the Proposed Transaction and formally engaged Brown Rudnick. On June 30, 2006, the Rhode Island Lottery was reassigned to be a division of the DOR. Subsequently, Beverly E. Najarian, Director of the DOA ("Najarian"), was appointed interim Director of the DOR.

In conducting the State's due diligence investigation of the Corporate Subjects, Brown Rudnick retained several specialists. These specialists included Kroll Associates, Inc. ("Kroll"), PriceWaterhouseCoopers LLP ("PwC"), Withers LLP ("Withers"), and Camozzi & Bonisconi ("C&B"). As used in this Report, the term "State Investigative Team" means Brown Rudnick, Kroll, PwC, Withers, C&B and the State Working Group (as defined below), collectively. Furthermore, Brown Rudnick conducted its investigation in parallel with an investigation of the Proposed Transaction by the Rhode Island State Police (the "RISP"), also a member of the State Investigative Team, and both Brown Rudnick and the RISP shared significant amounts of relevant information during the course of their due diligence.

II. SUMMARY OF THE PROPOSED TRANSACTION.

A. Background Information on the Parties.

1. GTECH.

GTECH Corporation was founded in 1980⁶ and has been based in Rhode Island since its inception. In February 1990, GTECH Holdings Corporation acquired GTECH Corporation in a leveraged buy-out, in which members of senior management of GTECH Corporation participated.⁷ GTECH Holdings Corporation is a publicly traded company and its Common Stock is listed on the New York Stock Exchange under the symbol "GTK." GTECH Corporation has been performing services for the Rhode Island Lottery for over 20 years and its business relationship with the Rhode Island Lottery has expanded steadily during that time, as described in this Report.

⁶ See the GTECH Holdings Corporation Annual Report on Form 10-K for the fiscal year ended February 25, 2006, filed with the Securities and Exchange Commission (the "SEC") on April 20, 2006 (the "GTECH 2006 Annual Report") at 4, as amended by the GTECH Holdings Corporation Annual Report on Form 10-K/A for the fiscal year ended February 25, 2006, filed with the SEC on June 22, 2006 (collectively, with the GTECH 2006 Annual Report, the "Complete GTECH 2006 Annual Report"). A copy of the Complete GTECH 2006 Annual Report is Exhibit 4 to this Report.

a. GTECH Holdings Corporation.

GTECH Holdings Corporation is the parent company of GTECH Corporation, through which it is a leading provider of gaming technology and services. There are over 90 other GTECH affiliated entities worldwide.⁸ GTECH had annual revenues of approximately \$1.3 billion in its fiscal year ended February 25, 2006.⁹ Its corporate headquarters is currently located in West Greenwich, Rhode Island.¹⁰ Copies of recent analyst reports concerning GTECH Holdings Corporation and issued by Citigroup Global Markets, Morgan Stanley Equity Research North America, Key Banc Capital Markets, Merrill Lynch, CIBC World Markets, Goldman Sachs Global Investment Research, Bank of America, Deutsche Bank Securities, Inc., Roth Capital Partners Equity Research, SIG Susquehanna Financial Group, LLLP and Stifel Nicolaus & Co., Inc., are attached to this Report as **Exhibit 5**.

b. GTECH Corporation.

GTECH Corporation is the principal operating entity of GTECH. GTECH employs a total of approximately 5,300 people in over 50 countries.¹¹ Pursuant to the Master Contract, GTECH has agreed to relocate its corporate headquarters to a new building currently being constructed in Providence, Rhode Island, and to make certain other investments and employment commitments in Rhode Island as described in Section IV.A of this Report. Of the 43 online lottery authorities in the United States, GTECH operates or provides equipment and services (or has entered into contracts to operate or provide equipment and services) to over half of such authorities.¹²

⁷ *Id.*

⁸ *See, e.g.*, Exhibit 21.1 to the GTECH 2006 Annual Report.

⁹ *See* GTECH 2006 Annual Report at 3.

¹⁰ *Id.* at 4.

¹¹ *Id.* at 3.

¹² *Id.*

Approximately half of the 122 international online lottery authorities are operated by or obtain equipment and services from GTECH.¹³

Lottery authorities generally provide two types of lottery programs; online lotteries and off-line lotteries. An online lottery is conducted through a computerized system in which lottery terminals are connected to a central computer system (for games such as lotto, keno and numbers). Off-line lotteries are not computerized, such as instant ticket games. With respect to online lottery contracts, GTECH typically enters into either facilities management contracts or product sales contracts with lottery authorities.¹⁴ Under facilities management contracts, GTECH maintains ownership of the lottery system that it constructs, installs and operates.¹⁵ Under product sales contracts: (1) the lottery authority operates the lottery system that GTECH constructs, sells and installs; and (2) GTECH licenses to the lottery authority the computer software through which the lottery system operates.¹⁶ Approximately 74% of GTECH's revenues in fiscal year 2006 were attributable to facilities management contracts, and approximately 10% were attributable to product sales contracts.¹⁷

2. Lottomatica, De Agostini and Related Entities.

a. Lottomatica.

Lottomatica is a publicly-traded company on the Milan Stock Exchange under the symbol "LTO."¹⁸ It has more than 1,000 employees and had annual revenues in 2005 of

¹³ *Id.*

¹⁴ *Id.* at 21.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.* at 21-22. See the GTECH 2006 Annual Report at 24-29 for a list of the jurisdictions (including Rhode Island) in which GTECH has entered into a facilities management contract. See also the GTECH 2006 Annual Report at 30 for a list of all jurisdictions in which GTECH has entered into a product sales contract. For more information with respect to off-line lottery contracts, including instant ticket vending machine lottery contracts, see the GTECH 2006 Annual Report at 32-34.

¹⁸ See Proposed Transaction Summary, Executive Summary at 5.

approximately €585 million¹⁹ (approximately \$746 million).²⁰ Lottomatica is headquartered in Rome, Italy. De Agostini controls Lottomatica, as it owns approximately fifty-six percent (56%) of Lottomatica's outstanding shares.²¹ Lottomatica holds interests, directly or indirectly, in 23 subsidiaries, three of which are in voluntary liquidation proceedings. Lottomatica's current corporate structure is depicted on **Exhibit 6** to this Report and **Exhibit 7** to this Report is a chart depicting the equityholders of Lottomatica on or about the date of this Report.

Lottomatica is the market leader in the Italian gaming industry.²² Lottomatica operates the Italian "Lotto" (the "Italian Lotto") one of the largest lotteries in the world, through its network of 44,000 lottery terminals.²³ Lottomatica operates both on-line and off-line lotteries and games in Italy.²⁴ The on-line activities are conducted through lottery or gaming terminals that are connected to a central computer system.²⁵ The off-line gaming activities are generally games involving pre-printed tickets and are not computerized ("Instant and Traditional Lotteries").²⁶ Lottomatica also provides: (1) sports pools and other pari-mutuel betting services; (2) information technology services for electronic machines involving elements of skill or risk and having random winnings ("Gaming Machines"); (3) various automated payment and distribution services (such as

¹⁹ *Id.*

²⁰ Except as otherwise described in this Report, all currency translations in this Report are based on mid-level market exchange rates calculated as of July 11, 2006.

²¹ See the records of the Commissione Nazionale per le Società e la Borsa, the Italian public authority responsible for regulating the Italian securities market, as of June 26, 2006.

²² *Id.* at 5.

²³ *Id.*

²⁴ See Proposed Transaction Summary, Tab 8 at 7-13.

²⁵ *Id.*

²⁶ *Id.*

ticketing, pre-paid telephone accounts and end user payment collections); and (4) transaction processing services.²⁷

b. De Agostini.

De Agostini is a privately-held Italian company owned by four groups of related families.²⁸ Exhibit 8 to this Report is a chart depicting the equity owners of De Agostini on or about the date of this Report. It was founded in 1901 as a cartography publisher.²⁹ It is now a diversified industrial and financial holding group, with significant investments in broadcast television, insurance and publishing.³⁰ De Agostini is headquartered in Novara, Italy and had revenues in its fiscal year 2005 of €4.925 billion (approximately \$6.277 billion). De Agostini's major investments include:

- Toro Assicurazioni. De Agostini owns approximately sixty-five percent (65%) of Toro Assicurazioni, which is a leading Italian life and non-life insurance company ("Toro"). Toro had revenues in its fiscal year 2005 of €2.841 billion (approximately \$3.621 billion).³¹
- Antena 3. De Agostini owns approximately nineteen percent (19%) of Antena 3, a Spanish broadcasting company. Antena 3 had annual revenues in its fiscal year 2005 of approximately €1.0 billion (approximately \$1.275 billion).

²⁷ *Id.* at 12-16.

²⁸ *See generally* www.gruppodeagostini.it.

²⁹ *Id.*

³⁰ *Id.*

³¹ In June 2006, De Agostini agreed to sell its stake in Toro to Assicurazioni Generali S.p.A., another Italian insurance company, for €2.14 billion (approximately \$2.7 billion as of June 30, 2006). *See* Sabrina Cohen and Gabriel Kahn, *Insurer Generali to Buy Rival Toro for \$4.82 Billion*, *The Wall Street Journal*, June 27, 2006, at C4.

- De Agostini Editore. De Agostini owns one hundred percent (100%) of De Agostini Editore, a publishing company with operations in approximately thirty (30) countries worldwide. De Agostini Editore had revenues in its fiscal year 2005 of €1.422 billion (approximately \$1.812 billion).

De Agostini is currently in the process of restructuring by creating a new holding company, B&D Holding di Marco Drago & C. S.a.P.A. ("B&D Holding"), above the level of De Agostini, which will own one hundred percent (100%) of De Agostini.³² The restructuring is expected to occur no later than the end of 2006.³³ For more information on the restructuring, see the "Proposed Transaction Summary" which is Exhibit 1 to this Report.

c. Invest Games, S.A.

Lottomatica formed Invest Games S.A. ("Invest Games") as a wholly-owned subsidiary of Nova Prima S.r.L. ("Nova Prima"), which is wholly-owned by Lottomatica, in order for Invest Games to hold approximately twenty-five percent (25%) of the shares of Gold Holding.³⁴ Invest Games will have no operations other than holding the investment in GTECH Holdings Corporation.³⁵ The ownership structure of Gold Holding was developed in order for Lottomatica possibly to obtain certain favorable tax treatment under Italian law with respect to the Proposed Transaction.³⁶

³² See Proposed Transaction Summary, Executive Summary at 6-8.

³³ *Id.*

³⁴ *Id.* At 4-5

³⁵ *Id.* at 5.

³⁶ *Id.*

B. The Merger Agreement.

Pursuant to the Agreement and Plan of Merger by and among Lottomatica, its newly-formed Delaware subsidiaries, Gold Holding and Gold Acquisition, and GTECH Holdings Corporation, dated as of January 10, 2006 (the “Merger Agreement”), Lottomatica will acquire GTECH Holdings Corporation through a cash merger between GTECH Holdings Corporation and Gold Acquisition in which GTECH Holdings Corporation will be the surviving corporation, and all outstanding shares of GTECH Holdings Corporation stock will be automatically converted into the right to receive \$35.00 per share in cash.³⁷ As a result, GTECH Holdings Corporation’s shares will be delisted from the New York Stock Exchange. The Company Disclosure Letter delivered by GTECH Holdings Corporation in connection with the Merger Agreement is referred to in this Report as the “Disclosure Schedules.”

Upon completion of the Proposed Transaction, GTECH Corporation will continue to be the operating company of GTECH Holdings Corporation. In addition, Lottomatica has announced that GTECH will continue to be headquartered in Rhode Island.³⁸

The closing of the Proposed Transaction is subject to certain conditions, including, but not limited to, customary closing conditions, some of which have already been satisfied, as well as³⁹:

1. the receipt of certain financing (described below in Section II.C. of this Report);
2. the affirmative vote of holders of a majority of the outstanding shares of GTECH Holdings Corporation;⁴⁰

³⁷ Exhibit 9 to this Report is the Merger Agreement.

³⁸ See Proposed Transaction Summary, Tab 1 at 3.

³⁹ See Article VII of the Merger Agreement.

3. subject to certain conditions, on the Closing Date (as defined in the Merger Agreement), GTECH Holdings Corporation having unencumbered cash on hand of at least \$370 million;
4. GTECH Holdings Corporation shall not be in breach of the Atronic Contracts (as defined in the Merger Agreement);⁴¹ and
5. Lottomatica obtaining and maintaining a pro forma investment grade credit rating post-closing of the Proposed Transaction of Baa3 from Moody's and BBB- from Standard & Poor's.

In addition, for the Proposed Transaction to be consummated, consents expressly required for a change in control are required from the applicable state agencies with respect to the lottery contracts for Georgia, Illinois, New York and Rhode Island (collectively, the "Required Consent GTECH Contracts").⁴²

Moreover, the consummation of the Proposed Transaction is subject to:

- a. with respect to GTECH's lottery contracts for Texas, California, Florida, Michigan, Missouri, New Jersey, Ohio, Wisconsin and the United Kingdom (collectively, the "Specified GTECH Contracts"), receipt of reasonably satisfactory oral or written confirmation that the consummation of the Proposed Transaction will not result in the termination (or commencement of proceedings with respect to the termination) of the Specified GTECH Contracts representing 87.5% of the aggregate revenues pursuant to all Specified GTECH

⁴⁰ This condition to closing was satisfied on June 7, 2006 when the shareholders of GTECH Holdings Corporation approved the Merger Agreement at a special meeting of GTECH's shareholders. *See* GTECH Press Release dated June 7, 2006, "GTECH Shareholders Approve Merger Agreement With Lottomatica."

⁴¹ The acquisition of Atronic by GTECH is reviewed in Section VI.B. of this Report.

⁴² *See* Section 7.02(e)(i) of the Merger Agreement.

Contracts over the 12 month period ending November 30, 2005. Failure to receive confirmation with respect to any of the Texas, California and United Kingdom contracts will cause this condition not to be satisfied.⁴³

- b. No termination of (and no commencement or receipt of notice of commencement of proceedings with respect to the termination of, except to the extent withdrawn or terminated): (1) any of the Required Consent GTECH Contracts; and (2) the Specified GTECH Contracts representing at least 90% of the aggregate revenues pursuant to all such lottery contracts over the twelve (12) month period ending November 30, 2005. The termination of (or commencement or receipt of notice of commencement of proceedings with respect to the termination of, except to the extent withdrawn or terminated) any of the Texas, California, United Kingdom and Michigan contracts (as well as any of the Required Consent GTECH Contracts) will cause this condition not to be satisfied.⁴⁴

The consummation of the Proposed Transaction is also expected to have the following impact on the Board of Directors and the management of GTECH:

- i. Section 1.06 of the Merger Agreement provides that the directors of GTECH Holdings Corporation shall resign effective as of the Effective Time (as defined in the Merger Agreement) and be replaced by the directors of Gold Acquisition.

⁴³ See Section 7.02(e)(ii) of the Merger Agreement.

- ii. Section 1.07 of the Merger Agreement provides that the officers of GTECH Holdings Corporation shall not be changed as a result of the Proposed Transaction.
- iii. W. Bruce Turner ("Turner"), President and Chief Executive Officer of GTECH Holdings Corporation, will remain in that position upon completion of the Proposed Transaction, will also become Chief Executive Officer of Lottomatica and is anticipated to become a member of the Lottomatica Board of Directors.⁴⁵
- iv. Jaymin Patel ("Patel"), Chief Financial Officer of GTECH Holdings Corporation, is expected to become Chief Financial Officer of Lottomatica upon completion of the Proposed Transaction.⁴⁶
- v. Walter DeSocio ("DeSocio"), Senior Vice President and General Counsel of GTECH Holdings Corporation, is expected to become the Chief Administrative Officer of Lottomatica upon the consummation of the Proposed Transaction.⁴⁷

Exhibit 10 to this Report is a chart depicting the anticipated corporate structure of the combined GTECH/Lottomatica company (the "Combined Company") after completion of the Proposed Transaction. **Exhibit 11** to this Report is a chart depicting the officers and directors of the Combined Company as they are anticipated to be constituted immediately after the consummation of the Proposed Transaction.

⁴⁴ See Section 7.02(e)(iii) of the Merger Agreement.

⁴⁵ See Proposed Transaction Summary at Tab 7.

⁴⁶ *Id.*

⁴⁷ *Id.*

C. The Financing Structure.

Gold Holding and Lottomatica have estimated that approximately \$5.4 billion of financing will be necessary to complete the Proposed Transaction, including approximately \$4.6 billion to be paid to GTECH's stockholders and the holders of other equity interests in GTECH in respect of the merger consideration, with the remainder to fund fees and expenses incurred in connection with the Proposed Transaction, the financing arrangements and related transactions.⁴⁸ Lottomatica will finance the Proposed Transaction through several sources, described below.⁴⁹

1. €1.46 Billion Rights Offering.

Credit Suisse First Boston (Europe) Limited ("Credit Suisse") and Goldman Sachs International ("Goldman Sachs") served as joint lead underwriters for a rights offering by Lottomatica to its shareholders (the "Rights Offering").⁵⁰ The stockholders of Lottomatica approved the Rights Offering in May 2006 and the offering was effected by means of a grant to Lottomatica's existing shareholders of the right to subscribe for newly issued Lottomatica Ordinary Shares at a discount to the then-current market price. The Offering Rights closed in June 2006. It was over 99% subscribed and the total amount raised was approximately €1.46 billion (approximately \$1.86 billion). **Exhibit 12** to this Report is the Final Offering Circular for the Rights Offering dated May 18, 2006 (the "Rights Offering Circular").

⁴⁸ *Id.*, Executive Summary at 8; Tab 1 at 1-3.

⁴⁹ See Section 4.6 of the Merger Agreement.

⁵⁰ Pursuant to an agreement between De Agostini and GTECH Holdings Corporation dated January 10, 2006 (the "De Agostini Agreement"), De Agostini voted in favor of the Rights Offering and exercised its full, direct and indirect, pro rata share of such Rights Offering. Likewise, Mediobanca – Banca di Credito Finanziario S.p.A., as beneficiary of a swap agreement with De Agostini covering 6,198,773 shares of Lottomatica stock, exercised its full pro rata share of the Rights Offering. Tab 4 to the Proposed Transaction Summary is the De Agostini Agreement.

2. \$2.26 Billion Loan Facilities.

Gold Acquisition (and, following the consummation of the Proposed Transaction, GTECH Holdings Corporation (collectively, the “Borrower”)) has entered into a Senior Facilities Agreement (“Senior Loan Agreement”) pursuant to which it intends to borrow \$2.26 billion (the “Senior Loan”) from affiliates of Credit Suisse and Goldman Sachs.⁵¹ The Senior Loan will have a six year maturity and a floating interest rate. The Senior Loan will be guaranteed by Lottomatica and certain subsidiaries of Lottomatica and GTECH.

Pursuant to the Senior Loan, the lenders have agreed to advance to the Borrower up to \$1.71 billion in Term Facility A loans and up to \$550 million in Term Facility B loans. The Term Facility A loans are only available to be applied to payment of the purchase price for the GTECH shares of Common Stock, to pay the costs of the Proposed Transaction and to refinance certain existing indebtedness of GTECH and its subsidiaries. The Term Facility B loans will only be available to be applied towards the redemption of certain outstanding GTECH senior notes and the costs associated therewith.

The lenders have also agreed to make available to the Borrower a revolving facility, which may be utilized if the Term Facility A loans have been utilized in full or canceled, in an amount of up to the equivalent of \$250 million, to finance working capital requirements and for general corporate purposes of the Combined Company, excluding acquisitions/mergers or prepayment of the Senior Loan.

In addition, the lenders have agreed to make available to the Borrower a guarantee facility in an amount of up to the equivalent of \$250 million. The guarantee facility may be utilized by the Borrower to provide letters of credit, guarantees or similar instruments,

each as required in the ordinary course of business of Lottomatica, the Borrower and their respective subsidiaries.

The Senior Loan Agreement provides a variety of covenants, including financial covenants, which restrict, among other things, Lottomatica's right to pay dividends to its shareholders if a certain fixed charge cover ratio is not met, to incur additional debt, to dispose of assets, to redeem shares and to amend material contracts. In addition, events of default under the Senior Loan Agreement include, in addition to non-compliance with any of these covenants or Lottomatica's other obligations, a cross-default to other indebtedness of Lottomatica, a Material Adverse Effect (as defined in the Senior Loan Agreement), the rescission or termination of a material contract (including the Master Contract), and insolvency events.

3. € 750 Million Hybrid Bond.

Lottomatica has issued €750 million (approximately \$956 million) of subordinated interest-deferrable capital securities (the "Hybrid Bond"), the offering of which was underwritten by affiliates of Credit Suisse and Goldman Sachs. The Hybrid Bond has a sixty year maturity and is non-callable during the first ten years after its issuance. Interest on the Hybrid Bond will be fixed during the first ten years after issuance, and thereafter interest will be at a floating rate. The Hybrid Bond includes an interest deferral provision (both conditional and mandatory), a change of control provision (with a call option or a coupon step-up), and a replacement covenant with common equity or a similar instrument if Lottomatica chooses to exercise its call option on or after the tenth anniversary of the Hybrid Bond's issuance. Exhibit 13 to this

⁵¹ Upon the merging of Gold Acquisition with GTECH Holdings Corporation, GTECH Holdings Corporation will be obligated on the Senior Loan.

Report is a copy of the Final Offering Circular for the Hybrid Bond dated May 10, 2006 (the “Hybrid Bond Offering Circular”).

4. Cash.

Available cash is expected to contribute toward the funding of the Proposed Transaction, including at least \$370 million of cash and cash equivalents required to be on hand at GTECH on the Closing Date (as defined in the Merger Agreement).

5. Other Elements of the Combined Company’s Financing Structure.

In addition to the above-described sources of financing, the Combined Company is expected to effect certain other arrangements, including:

a. Redemption of GTECH Bonds.

The terms of the Senior Loan require that, within five days of the closing of the Proposed Transaction, GTECH must redeem the approximately \$547.2 million of its currently outstanding senior notes issued in three series (\$148.8 million of 5.25% senior notes due December 2014; \$249.7 million of 4.75% senior notes due October 2010; and \$149.7 million of 4.50% senior notes due December 2009). An aggregate of approximately \$2.8 million in premiums will be due upon repayment of these notes.

b. Intercompany Loan.

In order to provide the proceeds of the above-described sources of funding to Gold Holding such that the merger consideration can be paid to GTECH’s shareholders upon the consummation of the Proposed Transaction, Gold Holding will deliver to Lottomatica a Promissory Note (the “Intercompany Loan”) in the amount of the aggregate funds advanced by Lottomatica in respect of the Proposed Transaction (approximately \$807 million). The Intercompany Loan is expected to have a ten year term and to bear interest at 8% per year, with interest payments due semi-annually and a

balloon payment of principal due at maturity. The Intercompany Loan is prepayable only upon the payment of a prepayment premium, which varies based upon the year in which the prepayment occurs.

c. Upstream Guarantee.

The Merger Agreement requires that GTECH Holdings Corporation, GTECH Corporation and GTECH Rhode Island Corporation provide a guarantee with respect to the approximately €360 million (approximately \$459 million) outstanding 4.8% bonds due 2008 issued by Lottomatica (the “Upstream Guarantee”). In exchange for the guarantors undertaking the Upstream Guarantee obligation, Lottomatica has agreed to pay to GTECH Holdings Corporation, for the benefit of each of the guarantors, an annual fee equal to 0.50% of the average daily principal balance of the outstanding bonds being guaranteed.

D. Rating Agency Views on Lottomatica.

Upon closing of the Proposed Transaction, Lottomatica is expected to maintain an investment grade rating. Its various ratings from Standard & Poor’s, however, are expected to be lower than its ratings pre-closing. Following the announcement of the Proposed Transaction, Moody’s issued its first-time ratings on a provisional basis, as described below.

1. Standard & Poor’s.

Pursuant to a Research Update from Standard & Poor’s dated January 10, 2006 (a copy of which is Exhibit 14 to this Report) (the “Research Update”), following the announcement of the Proposed Transaction, Standard & Poor’s placed its “BBB” long-term and “A-2” short-term corporate credit ratings on Lottomatica on CreditWatch with negative implications. As expected, on July 19, 2006, Standard & Poor’s lowered its

ratings on Lottomatica by one grade to “BBB-” and “A-3,” with a stable outlook.⁵² Following the announcement of the Proposed Transaction, Standard & Poor’s maintained its “BBB” long-term corporate credit rating on GTECH Holdings Corporation, and GTECH Holdings Corporation remains on CreditWatch with negative implications.⁵³

2. Moody’s.

Pursuant to a Ratings Action from Moody’s dated January 10, 2006 (a copy of which is **Exhibit 15** to this Report) (the “Ratings Action”), following the announcement of the Proposed Transaction, Moody’s issued its first-time ratings on Lottomatica as follows: (1) (P)Baa3 corporate family rating; (2) (P)Ba1 long-term senior unsecured issuer rating; and (3) (P)Baa3 guaranteed rating on the outstanding senior unsecured notes of €360 million (approximately \$459 million) due December 2008 issued by Lottomatica (based upon the Upstream Guarantee).⁵⁴

Based solely on the Research Update and Ratings Action described above, at the time of the closing of the Proposed Transaction, it is not expected that Lottomatica’s rating will be below “B.”

In addition, Section 7.02(i) of the Merger Agreement provides that Lottomatica’s obligation to consummate the Proposed Transaction is subject to the condition that Lottomatica shall have obtained and maintained a corporate and senior loan credit rating of at least Baa3/BBB- by, Moody’s and Standard & Poor’s, respectively, on a pro forma post-Proposed Transaction basis.

⁵² See Proposed Transaction Summary, Tab 9.

⁵³ See *id.*

⁵⁴ The (P) provisional feature will be removed upon closing of the Proposed Transaction, including the effectiveness of the Upstream Guarantee.

E. Reasons for GTECH to Sell to Lottomatica.

In its Definitive Proxy Statement on Schedule 14A filed with the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on May 8, 2006 (the “Proposed Transaction Proxy Statement”), a copy of which is **Exhibit 16** to this Report, GTECH recommended the Proposed Transaction to its stockholders based upon the following reasons, among others:

1. the GTECH Board of Directors’ familiarity with the business, operations, properties and assets, financial condition, business strategy, and prospects of GTECH, as well as the risks involved in achieving those prospects, the likelihood that implementations of GTECH’s long term strategic plan could cause significant near term earnings dilution, the nature of the industries in which GTECH competes, industry trends, and economic and market conditions, both on an historical and on a prospective basis;
2. the limited interest in acquiring GTECH at \$35.00 per share by other potential acquirers, and the ultimate unwillingness of a certain potential acquirer to complete an acquisition of GTECH at that price;
3. the financial analysis and presentations that Citigroup Global Markets Inc. (“Citigroup”) and Houlihan Lokey Howard & Zukin (“Houlihan Lokey”) presented to GTECH’s Board of Directors at its meeting on January 10, 2006 and the opinions dated January 10, 2006 of Citigroup and Houlihan Lokey to the GTECH Board of Directors to the effect that the consideration to be received by

GTECH's Common Stockholders in the Proposed Transaction was fair, from a financial point of view, to those holders; and

4. Lottomatica's commitment to GTECH's existing employees, including the maintenance of certain of GTECH's incentive plans for a period of time after the closing of the Proposed Transaction.⁵⁵

F. Reasons for Lottomatica to Purchase GTECH.

Lottomatica's business is conducted primarily in Italy, and its revenues are obtained primarily from its role as the sole concessionaire of the Italian Lotto. Over 74% of Lottomatica's fiscal year 2005 revenues were generated from the operation of the Italian Lotto, while an additional 9.4% were obtained from the operation of instant and traditional lotteries in Italy.⁵⁶ By contrast, GTECH is a global business, with approximately half of its revenues coming from customers outside of the United States;⁵⁷ its current operations in Italy, however, are very limited. Likewise, GTECH revenues are from a diverse customer base, with its largest customer accounting for no more than approximately 11% of its revenues.⁵⁸

Therefore, the combination of Lottomatica and GTECH is anticipated to make Lottomatica immediately and substantially more diverse, both geographically and in terms of customer revenues, cash flows and lines of business.⁵⁹ The combination of Lottomatica and GTECH is expected to create one of the world's leading gaming solutions providers -- a full service global gaming company that the Combined Company

⁵⁵ See Proposed Transaction Proxy Statement at 23-24.

⁵⁶ See Hybrid Bond Offering Circular at 91.

⁵⁷ See GTECH 2006 Annual Report at 10 and 56.

⁵⁸ *Id.* at 11 and 56.

⁵⁹ See Hybrid Bond Offering Circular at 3-7.

believes will be positioned to capture global growth opportunities in many of the vertical markets in which it competes.⁶⁰

Lottomatica believes that the consummation of the Proposed Transaction will enable the Combined Company to:

1. become the world's largest lottery services company;
2. benefit from Lottomatica's and GTECH's complementary expertise in technology and operations;
3. create cost efficiencies and reduce operating costs going forward;
4. expand the portfolio of its future products and services; and
5. benefit from the management strength of the GTECH management team that is expected to play a leading role in the Combined Company.⁶¹

G. The Combined Company.

As discussed in Section II.F. of this Report, if Lottomatica consummates the Proposed Transaction, it will instantly diversify and possess a global gaming portfolio. The Combined Company will, however, be quite different from the businesses that Lottomatica and GTECH currently operate individually.

The publicly available documents concerning the Proposed Transaction and discussions between the State Investigative Team and the current management teams of the Corporate Subjects have revealed that several of the more important characteristics of the Combined Company are expected to be as follows:

1. Lottomatica's Board of Directors will consist of a mix of current Lottomatica directors, several of GTECH's current directors and several newly elected

⁶⁰ *Id.*

independent directors. Exhibit 11 to this Report contains a description of the anticipated Board of Directors of Lottomatica after the consummation of the Proposed Transaction.

2. The current senior management of GTECH will become the senior management of Lottomatica, such that: (1) Turner will be the Chief Executive Officer of Lottomatica reporting to Lorenzo Pelliccioli, the Chairman of Lottomatica ("Pelliccioli"); (2) Patel will become the Chief Financial Officer of Lottomatica; and (3) DeSocio will become the Chief Administrative Officer of Lottomatica. In addition, Marco Sala ("Sala") will be the Managing Director of Lottomatica Operations for Lottomatica.

3. Lottomatica will be 56% owned by De Agostini with the other equity of Lottomatica being held publicly. GTECH Holdings Corporation will be a wholly-owned subsidiary of Gold Holding, which will itself be 75% owned by Lottomatica and 25% owned by Invest Games, and therefore, will no longer be a publicly held company whose shares of Common Stock are traded on the New York Stock Exchange.

4. The corporate headquarters of Lottomatica will be the current corporate headquarters of Lottomatica in Rome, Italy. Most of Lottomatica's senior management (i.e. Messrs. Turner, Patel and DeSocio), however, will primarily be based in GTECH's corporate headquarters in Rhode Island (although senior management is expected to work approximately 10 days per month in Lottomatica's Rome, Italy headquarters).

5. The current business operated by Lottomatica and the current businesses operated by GTECH will continue to be operated as separate divisions within the Combined Company organizational scheme. See Exhibit 10 to this Report.

⁶¹ *Id.*

6. The debt structure of the Combined Company will be demanding, as discussed in Section II.C. of this Report.

7. After the closing of the Proposed Transaction, GTECH will no longer prepare its financial statements in accordance with generally accepted accounting principles in the United States. Instead, the Combined Company will prepare its financial statements in accordance with International Financial Reporting Standards.

8. Although GTECH will no longer be a publicly traded company in the United States, and therefore, no longer subject to the stringent requirements of the Sarbanes-Oxley Act of 2002 ("SOX"), the Combined Company will implement and maintain relatively rigorous corporate governance mechanisms and internal controls and procedures. For example, although the Combined Company will no longer be obligated to comply with: (a) SOX requirements, it will be required to comply with Legislative Decree No. 231 of 8 June 2001 promulgated in Italy which has many corporate governance provisions that correlate with SOX (although those provisions are not as extensive as those contained in SOX); or (b) Section 404 of SOX (relating to internal control structures and procedures for financial reporting), the Combined Company intends to implement and maintain internal control structures and procedures akin to those required by Section 404 of SOX. In addition, the Combined Company expects to maintain compliance and audit committees and otherwise integrate the separate audit and corporate governance structures of Lottomatica and GTECH so that they better emulate GTECH's current structures.

9. Several management members of the Combined Company who are currently employed by GTECH have executed new employment agreements that will

become effective upon the consummation of the Proposed Transaction. These employment agreements are discussed in greater detail in Section VI.E. of this Report.

10. Management of the Combined Company have consistently informed members of the State Investigative Team that the Combined Company intends to meet GTECH's commitments to the State under the GTECH Rhode Island Agreements. In this regard, in July 2006, GTECH certified to the State that it had fully performed in all material respects all of its obligations under the GTECH Rhode Island Agreements.

III. GOVERNING AGENCIES/STANDARDS FOR CONSENT.

A. Rhode Island Department of Revenue – Rhode Island Lottery.

The Rhode Island Lottery was established in 1974 pursuant to the State Lottery Act (the "State Lottery Act").⁶² At that time, the Rhode Island Lottery Commission (the "Lottery Commission") was established and was empowered under Section 2 of the State Lottery Act to promulgate rules and regulations relating to lotteries, to set policies for lotteries and to approve or reject actions of the director of the Rhode Island Lottery. In 1992, the Lottery Commission was authorized under the Video Lottery Terminal Act (the "Video Lottery Terminal Act") to conduct and control video lottery games under its authority.⁶³

In 2005, pursuant to 2005 R.I. Pub. Laws 234 and 236, the Lottery Commission was replaced by a division of lottery within the DOA and the powers and duties previously held by the Lottery Commission were granted to a director of lotteries.⁶⁴ On June 30, 2006, pursuant to 2006 R.I. Pub. Laws 246, the Rhode Island Lottery, previously

⁶² See R.I. Gen. Laws 42-61-1, *et seq.*

⁶³ See R.I. Gen. Laws 42-61.2-1, *et seq.*

⁶⁴ See R.I. Gen. Laws 42-61-1 and 42-61-4.

a division within the DOA, became a division within the newly formed DOR⁶⁵ and the power and duty to supervise and administer the operations of lotteries under applicable Rhode Island law, along with other associated powers and duties, were granted to the director of the Rhode Island Lottery (the “Lottery Director”).⁶⁶

The Rhode Island Lottery operates in accordance with the rules and regulations previously adopted by the Lottery Commission (as amended from time to time, the “Lottery Regulations”).⁶⁷

Pursuant to the Video Lottery Terminal Act, the Lottery Regulations address the licensing of technology providers which must be capable of interfacing with a central communications system controlled by the Rhode Island Lottery, selected on the basis of:

“... [experience] in performing comparable projects, financial stability, technical and management abilities, the quality of the product and service capabilities, likelihood of timely performance, maximum revenue generation, its ability to pass a law enforcement background investigation, and any other factors found to be relevant to performance.”⁶⁸

The Lottery Regulations also address the accounting procedures for determining the net terminal income from video lottery terminals, insurance and bonding by entities which contract with the Rhode Island Lottery, and other matters necessary for video lottery terminals or for the convenience of the public.⁶⁹

In addition to the powers and duties granted to the Rhode Island Lottery and the Lottery Director under the State Lottery Act, the Lottery Director has the power under the

⁶⁵ See Note 5 above.

⁶⁶ The Lottery Regulations use the term “Executive Director” extensively; which is defined in Section 2.1.A.6 of the Lottery Regulations as “the Director of the Lottery. . . .” Section 2.1.A.15 of the Lottery Regulations defines “Director” as the “Director of Lotteries as established by Rhode Island General Law 42-61-3.” Therefore, the term Executive Director, as used in the Lottery Regulations, means the Director of the Rhode Island Lottery division of the DOR as currently established under R.I. Gen. Law 42-61-3.

⁶⁷ A copy of the Lottery Regulations is available at www.rilot.com.

⁶⁸ R.I. Gen. Laws 42-61.2-3(1).

⁶⁹ See R.I. Gen. Laws 42-61.2-3.

Video Lottery Terminal Act to suspend or revoke upon a hearing any license issued pursuant to the Video Lottery Terminal Act and the Lottery Regulations, and enter into contracts for the operation of a central communications system with technology providers.⁷⁰

Pursuant to procedures set forth in Section 21.3 of the Lottery Regulations, GTECH was selected by the Rhode Island Lottery to provide the central communications system to the Rhode Island Lottery now provided pursuant to the CCS Agreement. Prior to the award of this contract, the Lottery Regulations required that the Lottery Director cause a background investigation to be conducted with respect to the proposed central computer system provider (the “CCSP”), its officers, directors, significant stockholders, partners or other owners, which investigation was required to be satisfactory to the Lottery Director and to meet the criteria set forth in Section 21.6 of the Lottery Regulations.

The Lottery Regulations contain various provisions which govern the CCSP’s agreement. For example, the Lottery Regulations provide that any violation of law or of the Lottery Regulations by the CCSP shall be grounds for limitation, conditioning, restriction, suspension or cancellation of the contract between the CCSP and the Rhode Island Lottery. The Lottery Regulations also provide that the Rhode Island Lottery may terminate any agreement by notice to the CCSP in the event of certain bankruptcy events involving the CCSP, a breach by the CCSP of a material provision of its agreement which is not cured within 45 days of receipt of notice of such breach, or in the event that any material statement, representation or warranty made by the CCSP proves to be materially false or misleading, the Rhode Island Lottery suffers a loss in relying on such statement,

⁷⁰ See R.I. Gen. Laws 42-61-4.

representation or warranty and the CCSP fails to remedy such loss within 30 days after receipt of notice. Finally, no agreement with the Rhode Island Lottery may be assigned without the prior written consent of the Rhode Island Lottery.

Under Section 21.4 of the Lottery Regulations, the Rhode Island Lottery also has broad powers to investigate thoroughly any applicant that applies to be licensed as a Technology Provider.⁷¹ For instance, an applicant must: (1) submit to a background investigation; (2) disclose its legal name, form of entity, the names, addresses, social security numbers, and dates of birth of its directors, officers and certain stockholders (based on a percentage of ownership interest in the entity), partners, other owners and principal supervisory employees; (3) disclose the names, addresses and compensation paid to any attorney, retailer, lobbyist, accountant or other person who has assisted the applicant in its efforts to become licensed; (4) provide audited financial statements for the preceding three fiscal years (and internal financial statements for the current fiscal year and fiscal quarter); and (5) disclose the identity of all customers to whom it has furnished video games or other gambling equipment within the past three years. In addition, the results of the background investigation on the entity (as well as those persons listed in (2) above) must meet the criteria set forth in Section 21.6 of the Lottery Regulations, and must be “satisfactory to the . . . [Lottery] Director in his/her sole discretion prior to the granting of a license.”⁷²

Section 21.6 of the Lottery Regulations sets forth the general criteria that must be met by an applicant before such applicant is licensed as a CCSP, a Technology Provider

⁷¹ A Technology Provider is defined in the Lottery Regulations as “a person licensed by the [Lottery] Commission to provide terminals and with whom the [Lottery] Commission has entered into a contract to provide terminals.” As described in Section IV.C. of this Report, GTECH has been licensed as a Technology Provider pursuant to the VLT Agreement.

⁷² See Lottery Regulations, Section 21.4(D).

or a Retailer⁷³. These general criteria include the requirement that an applicant (and its officers, directors, stockholders, partners, other owners, principal supervisory employees, its operator or contractor, as applicable, and any person having an interest in the premises) be of good character, honesty and integrity, and that the background of such entity or persons, "... including criminal, civil and financial records, reputation and associates do not pose a threat to the public interest of the State or to the security and integrity of the Lottery."⁷⁴ In addition, the Lottery Director may refuse to issue a license to any CCSP, Technology Provider or Retailer (or any of their prospective officers, directors, shareholders, other owners, partners, principal supervisory employees, its operator or contractor, as applicable) if such person, among other things, has been convicted of any crime in any jurisdiction, has been convicted of a gambling offense in any jurisdiction, fails to disclose a material fact to the Rhode Island Lottery during the background investigation or any subsequent background or security investigation, or if the Rhode Island Lottery "determines that any aspect of the applicant's past conduct would adversely affect the integrity, security, honesty, or fairness of the [Rhode Island Lottery]."⁷⁵

B. Standards for Consent.

1. Regulatory Standards.

As described above, the Lottery Regulations provide specific requirements and criteria with respect to evaluating a proposed CCSP or an applicant for a license to become a Technology Provider. Certain of these requirements and criteria also apply to the owners of a CCSP or licensed Technology Provider. The State Investigatory Team

⁷³ A "Retailer" is defined in the Lottery Regulations as "a pari-mutual licensee approved by the Executive Director... to become a Video Lottery Retailer" and is not relevant in this context.

⁷⁴ See Lottery Regulations, Section 21.6(A)(2).

analyzed the Proposed Transaction's impact on GTECH's role as a CCSP and on the Technology Provider License pursuant to the applicable standards set forth in R.I. Gen. Laws 42-61.2-3(1) and Sections 21.3, 21.4 and 21.6 of the Lottery Regulations.

While no public meeting is required in order for the Rhode Island Lottery to render its decision with regard to the Proposed Transaction, the Rhode Island Lottery has determined that it will conduct a public meeting on July 25, 2006 to discuss this Report in connection with the Proposed Transaction.

2. Contractual Standard.

With respect to a change of ownership of GTECH, Section 20.5 of the Master Contract provides that the Rhode Island Lottery must consent to a change of control in GTECH unless the acquirer or any of its officers or directors: (a) is debarred from participating in a procurement by any federal department or agency of the United States, or by any state; (b) has, in the past three years, been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public contract; (c) has, in the past three years, had one or more public contracts terminated for cause or default; and/or (d) has, at the time of the transaction, a bond rating by Moody's or Standard & Poor's below "B".

3. Other Governmental Bodies.

a. The Department of Business Regulation.

The DBR, through its Division of Commercial Licensing, issues "Concessionaire Employee" licenses to all persons and corporations desiring to operate any concession allied to any dog racing track or fronton.⁷⁶ The Division of Commercial Licensing is also required to establish by regulation other occupational licensing for all employees of the

⁷³ See Lottery Regulations, Section 21.6(B)(7).

concessions, all pari-mutuel employees and all persons employed in any other capacity by race track and fronton management, and for other persons engaged in racing activities at any dog racing track or fronton.⁷⁷ According to licensing records provided by the DBR, approximately fifty individual GTECH employees have been granted Concessionaire Employee licenses by the Division of Commercial Licensing. Concessionaire Employee licenses are issued based upon a background check of the individual employee.⁷⁸ GTECH, however, is not licensed by the DBR, and therefore, no official action need be taken by the DBR or the Division of Commercial Licensing related to the Proposed Transaction at this time.

IV. REVIEW OF EXISTING AGREEMENTS BETWEEN RHODE ISLAND AND GTECH.

A. The Master Contract.

The effective date of the Master Contract between the Rhode Island Lottery and GTECH was July 1, 2003 (the “Effective Date”) and the term of the Master Contract ends on July 1, 2023.

The Master Contract amended each of the Related GTECH Rhode Island Agreements (as described below in this Section IV).⁷⁹ GTECH is obligated under Sections 3, 4, 6, 8 and 9 of the Master Contract to:

1. construct a New Headquarters Building (as defined therein) in Providence, Rhode Island by December 31, 2006, relocate its corporate headquarters to such New Headquarters Building as soon

⁷⁶ See R.I. Gen. Laws 41-4-9.1 and R.I. Gen. Laws 41-7-10.

⁷⁷ *Id.*

⁷⁸ See R.I. Gen. Laws 41-4-9.1(c).

⁷⁹ If there is any conflict, inconsistency or ambiguity between the Master Contract and any of the Related GTECH Rhode Island Agreements, the Master Contract shall control, and if there is any conflict,

- as reasonably possible, and maintain its corporate headquarters in Providence throughout the 20-year term of the Master Contract;⁸⁰
2. expand its manufacturing operations in its West Greenwich facility;⁸¹
 3. invest \$100 million in the aggregate in Rhode Island by December 31, 2008, and on or before April 1 of each year from 2004 through 2009 certify as to the amount invested to date;⁸²
 4. maintain on average during the applicable year at least 1,000 full-time active employees at wage levels of at least 150% of the minimum wage (and annually certify the number of such employees and their wage levels each February 1 with respect to the immediately preceding calendar year);
 5. replace, by January 1, 2007, the on-line gaming system provided by GTECH pursuant to the OLG Agreement with an on-line gaming system utilizing GTECH's Enterprise Series central computer system and satellite (or other state-of-the-art technology) based IP network;⁸³

inconsistency or ambiguity between or among the Related GTECH Agreements, the Related GTECH Agreement with the most recent effective date shall control. *See* Section 1.2 of the Master Contract.

⁸⁰ The deadlines with respect to the construction of and relocation of the corporate headquarters to the New Headquarters Building are subject to certain conditions set forth in Section 3.7 of the Master Contract, which, if they occur, may result in an extension of such deadlines; provided, however, that notwithstanding any such extension, GTECH shall build and occupy its New Headquarters Building by December 31, 2007.

⁸¹ The Master Contract does not specify any particular expansion requirements at the West Greenwich facility.

⁸² Pursuant to Section 6.1 of the Master Contract, such investments may also be made by a GTECH Business Affiliate (as defined therein) in connection with acquiring interests in land, building development projects and/or improvements to real property or facilities, planning GTECH's obligations under the GTECH Agreements, and otherwise in connection with GTECH's business operations in Rhode Island.

⁸³ As described in Section 8.1 of the Master Contract, such replacement will include replacement of the central system hardware, operating system software, application software, communications software and lottery terminals and other sales devices.

6. both (a) enter into an amendment with the Rhode Island Lottery to extend the term of the Rhode Island Lottery's existing contract with Interlott Technologies, Inc. ("Interlott") through December 31, 2004, remove Rhode Island Lottery's obligation to make lease payments to Interlott and remove Interlott's obligation to pay certain types of damages to the Rhode Island Lottery; and (b) replace by January 1, 2005 (and again by January 1, 2015), 125 of the existing instant ticket vending machines ("ITVMs") with new, on-line enabled devices;
7. provide an unlimited number of licenses to GTECH's "Lottery InsideTM" product and necessary related printers;
8. provide GTECH's Electronic Instant Lottery ("EIL") products and services to Deploy (as defined therein), within twelve months after the Effective Date, up to twenty-five EIL machines, and within six months after such Deployment of the EIL machines, the parties are obligated to agree upon the Deployment of additional EIL machines;
9. provide products, licenses and services necessary to implement GTECH's "E-ScratchTM" game and other mutually agreed upon new games;
10. provide licenses and services necessary to maintain an optimal mix of monitor games on keno terminals, including presentation of a new monitor game for possible implementation every 24 months after the Effective Date;

11. by January 1, 2010, replace the VLCC System (as defined in the CCS Agreement);
12. within 6 months of the Effective Date, replace at least one-half of the approximately 860 video lottery terminals (“VLTs”) provided by GTECH, with the remainder to be replaced within one year of the Effective Date, and all such VLTs shall be replaced with VLTs obtained by GTECH through acquisition, contract or otherwise; and
13. provide at least 1,000 of the 1,825 VLTs approved for Deployment, and thereafter, GTECH shall have the right to provide at least 1,860 VLTs, subject to certain conditions, including Efficiency Rating (as defined therein) standards described below.⁸⁴

Under the Master Contract, GTECH purchased an intangible asset from the Rhode Island Lottery for \$12.5 million.⁸⁵ The intangible asset consists of the twenty year right and license to: (1) be the Rhode Island Lottery’s exclusive provider of information technology hardware, software and related services for (a) the design, development, implementation and/or operation of the Rhode Island Lottery’s video lottery central communications system, (b) the design, development, implementation, operation and/or sale of on-line games, and (c) the processing of on-line game wagers and video lottery

⁸⁴ As described in Section 10.4 of the Master Contract, such right exists unless GTECH’s Efficiency Rating falls below 97%, in which case the Rhode Island Lottery may reduce the number of VLTs provided by GTECH by up to 15% per calendar year, beginning in 2008.

⁸⁵ See Section 7.2 of the Master Contract.

wagers; and (2) have rights with respect to the supply of video lottery terminals and other gaming machines.⁸⁶

The Master Contract also provides that the Rhode Island Lottery agrees to obtain from GTECH: (1) at least 50% of subsequently-approved VLTs, unless, after 30 months of continuous deployment of 1,860 VLTs, GTECH's Efficiency Rating is less than 97%; and (2) at least 50% of any Other Gaming Machines (as defined therein) that the Rhode Island Lottery obtains. The Rhode Island Lottery also granted GTECH a right of first refusal for all Lottery Products and/or Services (as defined therein) to be acquired by the Rhode Island Lottery during the term of the Master Contract.⁸⁷

The Rhode Island Lottery is obligated to refund a portion of the \$12.5 million intangible asset payment if any of the following occurs:

1. the Master Contract is terminated prior to end of the 20-year term, unless as a result of a GTECH default;
2. the Rhode Island Lottery's authority over on-line games and/or video lottery games is terminated for 2 months and/or there is a "Significant Decline in Sales" (below benchmarks and less than ten percent below previous year's 2-month period);
3. authority to offer video lottery games is granted to another agency, unless such other agency is a successor to the Rhode Island Lottery and assumes in writing all of the Rhode Island Lottery's obligations under the Master Contract at the time such authority is granted to such other agency; or

⁸⁶ See Section 7.1 of the Master Contract.

⁸⁷ See Section 7.4 of the Master Contract.

4. if any other agency is given authority to procure “Other Gaming Machines” and, as a result of competition, the sum of the Net Terminal Income (as defined in the Master Contract) of all video lottery machines deployed by Rhode Island Lottery over any 12-month period is 90% or less than the previous year and less than \$450 million.⁸⁸

Section 14 of the Master Contract also permits GTECH to use the on-line lottery central system and communications network and retailer points of sale and terminals for processing of commercial services transactions, (i.e., telephone airtime cards and distribution of other government services), pursuant to mutually agreed terms and conditions and agreed upon sharing of profits.

GTECH may terminate the Master Contract in the event of: (1) a failure to cure a breach by the Rhode Island Lottery in 30 days after notice from GTECH; (2) a failure to pay within 10 days after notice from GTECH; (3) the termination or suspension for 60 days of the Rhode Island Lottery’s authority to offer on-line games and/or VLTs; or (4) a transfer of authority to offer lottery games that involve on-line computer processing of the sale transaction to another state agency, unless such agency is a successor to the Rhode Island Lottery and assumes in writing all of the Rhode Island Lottery’s obligations under the Master Contract at the time such authority is granted to such other agency.⁸⁹

The Rhode Island Lottery may terminate the Master Contract in the event of: (1) intentional fraud on the part of GTECH; (2) intentional and serious misconduct on the part of GTECH that causes Net Terminal Income and Gross Sales (as defined in the CCS

⁸⁸ See Section 7.5 of the Master Contract. See also Section VI.C.2 of this Report with regard to GTECH’s waiver of any right to a refund of the \$12.5 million intangible asset payment if any significant decline in sales occurs as a result of the new competition from the proposed Harrah’s Casino Project.

Agreement and the OLG Agreement, respectively) over any three-month period to be less than 25% of such Net Terminal Income and Gross Sales, respectively, during the corresponding three-month period in the prior calendar year; or (3) GTECH fails to cure noncompliance with the provisions in the Master Contract related to its corporate headquarters, investment obligations or employment obligations in 30 days after notice from the Rhode Island Lottery.⁹⁰

With respect to a change of ownership of GTECH, Section 20.5 of the Master Contract provides that the Rhode Island Lottery must consent to a change of control in GTECH unless the prohibitions described in Section III.B.2. of this Report occur.

In the event that the Rhode Island Lottery terminates the Master Contract, the Rhode Island Lottery may also terminate any or all of the Related GTECH Rhode Island Agreements.⁹¹

B. Video Lottery Central Computer System Agreement.

The CCS Agreement between GTECH and the Rhode Island Lottery is dated as of December 20, 2001 and is **Exhibit 17** to this Report.

The CCS Agreement obligates GTECH to design, install, operate and maintain the “**VLCC System**”.⁹² The VLCC System is comprised of the Central Computer System Hardware, the Communications Network Equipment, the Validation and Management Video Lottery Terminals and the Software, each of which is described in attachments to the CCS Agreement.⁹³ The CCS Agreement also obligates GTECH to provide various services to the Rhode Island Lottery, including: (1) staffing, operating and maintaining

⁸⁹ See Sections 15.1 and 15.2 of the Master Contract.

⁹⁰ See Sections 16.1 and 16.2 of the Master Contract.

⁹¹ See Section 16.3 of the Master Contract.

⁹² See Section 3.1 of the CCS Agreement.

⁹³ See Section 1.2 of the CCS Agreement.

the Rhode Island Lottery's central site; (2) providing a disaster recovery system; (3) providing maintenance services for the VLCC System; and (4) providing field service maintenance for all VLTs connected to the VLCC System.⁹⁴ With regard to staffing, GTECH's personnel is subject to the prior approval of the Rhode Island Lottery.⁹⁵

The term of the CCS Agreement continues until the Master Contract expires or is terminated.⁹⁶ The Rhode Island Lottery may terminate the CCS Agreement only in the event of: (1) intentional fraud on the part of GTECH; or (2) intentional and serious misconduct on the part of GTECH that causes a 25% drop in Total Net Terminal Income (as defined therein) over any three-month period during the Term (as defined therein) as compared with the corresponding three-month period during the previous year, provided that intentional and serious misconduct on the part of GTECH will not be presumed solely because of a 25% drop in Total Net Terminal Income.⁹⁷

Fees payable to GTECH under the CCS Agreement are based upon the Total Net Terminal Income (including all VLTs deployed, whether or not provided by GTECH) per year in the amount of 2.5% of up to \$500 million in Total Net Terminal Income, 1% of the next \$500 million and 2.5% of amounts over \$1 billion.⁹⁸ The Rhode Island Lottery may assess liquidated damages against GTECH in the event that video game play is not possible at one or more premises for more than one hour because of a System Downtime Condition (as defined in the CCS Agreement).⁹⁹

The CCS Agreement requires GTECH to provide a bond issued by an issuer qualified to do business in Rhode Island in the amount of the sum of: (1) \$500,000; and

⁹⁴ See Section 3.2 of the CCS Agreement.

⁹⁵ See Section 27 of the CCS Agreement.

⁹⁶ See Sections 12.2 and 12.3 of the Master Contract.

⁹⁷ See Section 12.6 of the Master Contract.

⁹⁸ See Section 12.1 of the Master Contract.

⁹⁹ See Section 17.4 of the CCS Agreement.

(2) the total of all liquidated damages assessed against GTECH during the preceding year of the term.¹⁰⁰ GTECH is also required to maintain insurance of the types and in the amounts set forth therein.¹⁰¹ A list of these insurance requirements is set forth in **Exhibit 18** to this Report. Insurers must have a rating of at least “AA” and be licensed and authorized to do business in Rhode Island.

The CCS Agreement may not be assigned by either party without prior notice to and consent of the other party, except that GTECH may assign the CCS Agreement to a wholly-owned subsidiary of GTECH licensed to do business in Rhode Island and meeting all qualifications for Rhode Island Lottery vendors, provided that GTECH guarantees the performance of such assignee’s obligations under the CCS Agreement.¹⁰² The CCS Agreement does not contain a provision with respect to the change of ownership of GTECH.

C. Video Lottery Terminal Technology Provider License Agreement.

In September 2000, the VLT Agreement reissued the Technology Provider License to GTECH. *See* Section I.B.1 of this Report. **Exhibit 19** to this Report is the VTL Agreement.

The VLT Agreement provides that GTECH shall provide a certain number and type of VLTs as the Lottery Director may require.¹⁰³

Under the VLT Agreement, GTECH is obligated to test, certify, repair and update the VLTs.¹⁰⁴ GTECH is also required to provide such bonds and evidence of insurance as the Lottery Director shall require.¹⁰⁵ GTECH is also obligated to fund at least five

¹⁰⁰ *See* Section 8 of the CCS Agreement.

¹⁰¹ *See* Section 9 of the CCS Agreement.

¹⁰² *See* Section 20 of the CCS Agreement.

¹⁰³ *See* Section I of the VLT Agreement.

¹⁰⁴ *See* Sections 7-10, 12 and 13 of the VLT Agreement.

¹⁰⁵ *See* Section 14 of the VLT Agreement.

player promotions each year for a total prize value of at least \$58,000, as well as contribute \$9,000 to Newport Grand Jai-Alai and \$33,000 to Lincoln Park each year as prize money for promotions.¹⁰⁶ These amounts will be increased annually as mutually agreed, but at a rate not less than 3% per year.¹⁰⁷

GTECH is compensated under the VLT Agreement based upon the average Net Terminal Income per day of the VLTs provided to the Rhode Island Lottery by GTECH in the amount of a daily fee for each VLT of 7% of up to \$325 in Net Terminal Income, 1% of the next \$175 and 7% of amounts over \$500.¹⁰⁸

The VLT Agreement continues until the Master Contract expires or is terminated.¹⁰⁹ The VLT Agreement specifies that any violation of law or the Lottery Regulations by GTECH shall be grounds for limitation, restriction, suspension or revocation of its license and termination of the VLT Agreement, subject to certain notice and cure provisions.¹¹⁰ In addition, the Rhode Island Lottery may terminate the VLT Agreement in the event of: (1) intentional fraud on the part of GTECH; or (2) intentional and serious misconduct on the part of GTECH that causes a 25% drop in Net Terminal Income (as defined therein) for GTECH VLTs for any three-month period during the Term (as defined therein) as compared with the corresponding three-month period during the previous year, provided that: (a) intentional and serious misconduct on the part of GTECH shall not be presumed solely because of a 25% drop in Net Terminal Income for GTECH VLTs; and (b) intentional and serious misconduct on the part of GTECH shall be deemed not to have occurred if, notwithstanding such 25% drop in Net Terminal Income

¹⁰⁶ See Section 16 of the VLT Agreement and Section 13.6 of the Master Contract.

¹⁰⁷ *Id.*

¹⁰⁸ See Section 2 of the VLT Agreement and Section 13.3 of the Master Contract.

¹⁰⁹ See Section 13.4 of the Master Contract.

¹¹⁰ See Section 19 of the VLT Agreement and Section 13.8 of the Master Contract.

for GTECH VLTs, other Technology Providers experience a 20% drop in Net Terminal Income of VLTs.¹¹¹

The VLT Agreement provides that the Rhode Island Lottery shall evaluate GTECH over the first 13 weeks of each calendar year of the term thereof.¹¹² In addition, GTECH agrees to provide immediate access to its records and its physical premises for inspection at the Lottery Director's request.¹¹³

The VLT Agreement does not have a provision with respect to a change in ownership of GTECH, but GTECH cannot assign the agreement without the prior written consent of Rhode Island Lottery.

D. On-Line Gaming Agreement.

The On-Line Gaming Agreement between the Rhode Island Lottery and GTECH is dated January 29, 1997 (the "Original OLG Agreement") and, as amended by the First Amendment to On-Line Gaming Agreement dated March 16, 1998 (the "First Amendment"), the Second Amendment to On-Line Gaming Agreement dated July 19, 1999 (the "Second Amendment"), the Third Amendment to On-Line Gaming Agreement dated January 21, 2000 (the "Third Amendment"), the Fourth Amendment to On-Line Gaming Agreement dated May 14, 2001 (the "Fourth Amendment") and the Master Contract, the "OLG Agreement").¹¹⁴ The OLG Agreement is **Exhibit 20** to this Report.

The term of the OLG Agreement continues until the Master Contract expires or is terminated.¹¹⁵ The Rhode Island Lottery may terminate the OLG Agreement only in the event of: (1) intentional fraud on the part of GTECH; or (2) intentional and serious

¹¹¹ See Section 3 of the VLT Agreement and Section 13.4 of the Master Contract.

¹¹² See Section 13.2 of the Master Contract.

¹¹³ See Section 11 of the VLT Agreement.

¹¹⁴ The OLG Agreement superseded the Extension Agreement between the Rhode Island Lottery and GTECH dated January 20, 1997.

¹¹⁵ See Section 11.1 of the Master Contract.

misconduct on the part of GTECH that causes a 25% drop in Total Lottery Sales (as defined therein) over any three-month period during the Term (as defined therein) as compared with the corresponding three-month period during the prior year, provided that intentional and serious misconduct by GTECH will not be presumed solely because of a 25% drop in Total Lottery Sales.¹¹⁶

Under the OLG Agreement, GTECH is required to provide certain terminals, hardware and software to the Rhode Island Lottery and designated retail agents.¹¹⁷ In exchange for GTECH agreeing to replace and enhance KENO television monitors and to provide additional personnel to operate the NextVision™ System, the Rhode Island Lottery agreed to permit GTECH to sell commercial advertising on the KENO monitors, subject to the Rhode Island Lottery's approval.¹¹⁸ The parties also agreed to meet each January during the term of the OLG Agreement to discuss the sharing of GTECH's net revenues from advertising once GTECH has recovered a reasonable rate of return on its investment.¹¹⁹

The OLG Agreement also obligates GTECH to: (1) provide dedicated telephone lines to connect the Terminals (as defined therein) to the Central Hardware (as defined therein) and to share any rate savings on the use of the phone lines equally with the Rhode Island Lottery; (2) install, test, maintain and operate a remote logging system at a secure site; (3) staff and operate the central facility, subject to certain staffing level requirements and subject to the Rhode Island Lottery's approval of all personnel;¹²⁰ and

¹¹⁶ See Section 11.5 of the Master Contract.

¹¹⁷ See Sections 1(b) and 2(b) of the Original OLG Agreement, Section 2 of the Second Amendment, Sections 1 and 2 of the Fourth Amendment and Section 11.3 of the Master Contract.

¹¹⁸ See Section 2(c) of the Original OLG Agreement, Section 1 of the Third Amendment and Section 3 of the Fourth Amendment.

¹¹⁹ See Section 1 of the Third Amendment and Section 3 of the Fourth Amendment.

¹²⁰ See Section 2(d)-(g) of the Original OLG Agreement.

(4) lease approximately 3,460 square feet of the Rhode Island Lottery's central facility at fair market value rent, subject to 4% annual increases.¹²¹

GTECH's compensation under the OLG Agreement is based upon the cumulative Total Lottery Sales (as defined therein) per year in the amount of 5% of up to \$275 million in Total Lottery Sales, 1% of the next \$125 million and 5% of amounts over \$400 million.¹²² The Rhode Island Lottery may assess liquidated damages against GTECH in the event of certain system failures.¹²³

GTECH is required under the OLG Agreement to maintain an errors and omissions insurance policy in an amount of not less than \$15 million.¹²⁴

The OLG Agreement may not be assigned by either party without the prior written consent of the other party.¹²⁵ The OLG Agreement does not contain a provision with respect to the change of ownership of GTECH.

E. Other Contractual Relationships with Rhode Island Governmental Bodies.

GTECH entered into a Development Agreement (the "Development Agreement") with the Rhode Island Economic Development Corporation ("EDC"), dated as of January 1, 2005, related to the development of a 210,000 square foot mixed use building, a portion of which is to be used as GTECH's corporate headquarters at 10 Memorial Boulevard, Providence, RI (the "Project"). The Development Agreement is **Exhibit 21** to this Report. The term of the Development Agreement commenced on April 28, 2003, and will expire on the earlier of: (1) termination of the Master Contract; or (2) termination of the Development Agreement pursuant to its terms.¹²⁶

¹²¹ See Section 1(b)(ii) of the Original OLG Agreement and Section 4 of the Fourth Amendment.

¹²² See Section 12.2 of the Master Contract.

¹²³ See Section 2(h)(2) of the Original OLG Agreement and Appendix C-2 thereto.

¹²⁴ See Section 11.7 of the Master Contract.

¹²⁵ See Section 5(e) of the Original OLG Agreement.

¹²⁶ See the definitions section of the Development Agreement.

As part of the transactions contemplated by the Development Agreement, GTECH obtained a sales tax exemption ruling issued by the Rhode Island Division of Taxation.¹²⁷ The exemption applies to the following taxable property:

1. building materials and supplies used for construction of the Project building, which expenses are incurred during the term;
2. materials, supplies and furnishings used for tenant improvements in the portion of the Project building subject to the office lease (and not used for any other tenant except GTECH or an affiliate) during the term; and
3. all personal property with a useful life of more than 1 year purchased for use during the term.¹²⁸

The exemption does not apply to taxable property purchases exceeding \$100,000,000 in the aggregate.¹²⁹

Either party may terminate the Development Agreement upon written notice to the other in the event of an uncured default by the other party.¹³⁰

The EDC has agreed to cooperate with GTECH in obtaining all necessary permits/approvals for the Project.¹³¹ If the Project qualifies for expedited approvals under R.I. Gen. Laws § 42-1 17-1, et seq., and GTECH applies for same, the EDC has agreed that it will issue a certificate of critical economic concern for the Project.¹³²

GTECH (or its affiliates), or the Designated Developer (as defined in the Development Agreement) has agreed to do the following:

¹²⁷ See Section 4.2 of the Development Agreement.

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ See Sections 6.2 and 6.4 of the Development Agreement.

¹³¹ See Section 5.1 of the Development Agreement.

¹³² See Section 5.2 of the Development Agreement.

1. as part of satisfying its obligation under the Master Contract to make a \$100 million investment, GTECH will invest \$60 million (the “Investment Requirement”) in the Project on or before December 31, 2008, and will notify the EDC once the Investment Requirement is met;
2. employ at least 1,000 full time employees in Rhode Island (“Employment Requirement”) by December 31, 2005 and during each year thereafter;
3. deliver to the EDC on or before May 31, 2005 and every 6 months thereafter a written certification stating the average number of full time employees for the preceding 6-month period; and¹³³
4. within 30 days of the end of each calendar year, or at such other mutually agreeable time, deliver to the EDC a written certification stating the real dollar value of the sales tax exemption received for the prior calendar year.¹³⁴

The EDC will monitor GTECH’s compliance with the Investment Requirement and the Employment Requirement under the Development Agreement and the Master Contract (the Development Agreement controls in the event of any inconsistency), as well as GTECH’s obligations under the Master Contract with respect to the construction and relocation of its corporate headquarters and expansion of its manufacturing facility.¹³⁵

¹³³ This requirement purports to modify the requirement pursuant to Section 6.4 of the Master Contract, which requires that the certification of full time employees be provided on or before February 1, 2006 and annually thereafter.

¹³⁴ See Sections 5.4-5.6 of the Development Agreement.

¹³⁵ See Section 5.7 of the Development Agreement.

Upon reasonable advance written notice, the EDC has the right to audit GTECH's books and records during any period of the term of the Development Agreement in which GTECH has claimed a sales tax exemption, and for 5 years thereafter.¹³⁶ The EDC will publicly release only: (1) the number of full time employee jobs at the Project and cumulative wage data; and (2) a dollar value comparison of GTECH's actual investment with the Investment Requirement.¹³⁷

Each of following constitutes an Event of Default by GTECH under the Development Agreement: (1) failure to perform any material term/condition for more than 60 days following notice; (2) an assignment for the benefit of creditors; or (3) voluntary or involuntary bankruptcy proceedings not dismissed within 90 days.¹³⁸ In addition to termination of the Development Agreement, upon the occurrence of an Event of Default the EDC may collect from GTECH the sales tax benefits actually received by GTECH for the 5-year period beginning with the date on which GTECH certifies that the Employment Requirement was satisfied.¹³⁹

The EDC may assign the Development Agreement to any other State agency or quasi-public entity, provided such assignment does not jeopardize the sales tax exemption (described above), or the tax benefits set forth in that certain Tax Stabilization Agreement dated July 15, 2003 by and among the City of Providence, the EDC and GTECH.¹⁴⁰ GTECH may assign the Development Agreement to: (1) any affiliate; or (2) any Person with which GTECH or an affiliate employs or contracts with for the Project, provided GTECH provides the EDC with 5 days prior written notice of such assignment.¹⁴¹

¹³⁶ See Section 5.9 of the Development Agreement.

¹³⁷ *Id.*

¹³⁸ See Sections 6.1-6.4 of the Development Agreement.

¹³⁹ *Id.*

¹⁴⁰ See Section 7.2 of the Development Agreement.

¹⁴¹ *Id.*

Neither party will be released from its unperformed obligations.¹⁴² All other assignments are prohibited without the prior written consent of the non-assigning party.¹⁴³

V. SUMMARY OF THE STATE INVESTIGATION.

A. Supervision and Oversight by the State.

After becoming aware of the Proposed Transaction, the State, through the DOA,¹⁴⁴ formed a selection committee (the “Selection Committee”) to seek assistance to review the Proposed Transaction. The Selection Committee consisted of: (1) Brian P. Stern, Executive Director of the DOA (“Stern”); (2) Louis A. DeQuattro, Jr., Chair of Corporate Practice Group of the DOA (“DeQuattro”); (3) Marilyn Shannon-McConaghy, Administrative and Legal Support Services Administrator of the DOA (“McConaghy”); (4) H. Chris DerVartanian, Chief, Bureau of Audits of the DOA (“DerVartanian”); (5) Robert Silva, Legal Counsel to Rhode Island Lottery (“Silva”); (6) Richard W. Berstein, Executive Counsel – DBR (“Berstein”); (7) Detective Sergeant John Flaherty of RISP (“Detective Sergeant Flaherty”); and (8) Gerry Bedrick of the State of Rhode Island Division of Purchases of the DOA. The Selection Committee determined that the review of the Proposed Transaction would require: (a) a legal due diligence review; (b) a financial analysis of GTECH, Lottomatica and the Combined Company -- due to the importance of the Proposed Transaction to the citizens of the State and its potential financial impact; and (c) an investigation of the backgrounds of GTECH, Lottomatica, De Agostini and their respective affiliates. Based on this conclusion, the Selection Committee recommended that the State should engage a law firm to lead the due

¹⁴² *Id.*

¹⁴³ *Id.*

¹⁴⁴ See Note 5 above.

diligence analysis and oversee a team of professionals to address each of the critical elements discussed above and the impact of the Proposed Transaction on the State.

The Selection Committee next considered potential law firms to lead the investigation. The criteria established by the Selection Committee for such law firm included independence, resources and expertise to handle the due diligence review of two public companies, one in the United States and one in Italy. After a careful analysis, the Selection Committee interviewed three law firms over a period of three weeks. In February 2006, the Selection Committee recommended that the State engage Brown Rudnick.

Under the leadership of Najarian, Director of the DOA and now also Interim Director of the DOR, and Stern, a GTECH Oversight Group (the “State Oversight Group”) was also formed to oversee the review and analysis of the Proposed Transaction. The State Oversight Group consisted of: (1) Najarian; (2) Stern; (3) DeQuattro; (4) McConaghy; (5) A. Michael Marques, Director of the DBR; (6) Bernstein; (7) Silva; (8) Detective Sergeant Flaherty; and (9) Detective Corporal James Dougherty of the RISP (“Detective Corporal Dougherty”).

From the State Oversight Group, a smaller working group (the “State Working Group”) was formed to be an active participant on the State Investigative Team on an ongoing basis. The State Working Group consisted of: (1) DeQuattro; (2) Silva; and (3) Detective Corporal Dougherty.

DeQuattro, who is also a licensed attorney and a certified public accountant, participated in all aspects of the review and analysis of the Proposed Transaction (including the financial analysis described in Section V.J of this Report) and chaired weekly update meetings of the State Working Group with the State Investigative Team to

discuss the status of the various components of the due diligence process and to assist in keeping the review and analysis of the Proposed Transaction on schedule. Both DeQuattro and Detective Corporal Dougherty also participated in the interviews of key officers, directors, and employees of GTECH, Lottomatica and De Agostini, along with other members of the State Investigative Team. Additionally, Detective Corporal Dougherty reviewed all of the Personal Disclosure Forms (as defined below) made available to the State by affiliates of GTECH, Lottomatica and De Agostini and conducted criminal background checks of affiliates of GTECH, Lottomatica and De Agostini. Detective Corporal Dougherty also had access to information from other regulatory and law enforcement agencies which would only provide information to law enforcement personnel.

B. Retention of Brown Rudnick.

As discussed above in Section I.D., in February 2006, the State, through the DOA and the DBR, engaged Brown Rudnick in connection with the protection of the interests of Rhode Island relating to the Proposed Transaction.¹⁴⁵ Specifically, the State retained Brown Rudnick to conduct a due diligence investigation of: (1) the Corporate Subjects, in various areas including, but not limited to, such entities' management, stockholders, corporate matters, risk profile and financing structures; (2) the Proposed Transaction; and (3) the operational stability of the Combined Company on a "going-forward" basis. Brown Rudnick is an international law firm with over 200 attorneys and offices in the United States and Europe. Brown Rudnick provides a comprehensive array of services across all major legal areas including corporate and securities law, government law and strategies, intellectual property law, real estate law, general litigation, bankruptcy and

¹⁴⁵ See Note 5 above.

corporate restructuring, structured and commercial finance law and energy law. Its clients range from nationally and internationally prominent institutions, including Fortune 500 companies, to entrepreneurial start-up businesses.

Edward D. Pare, Jr. ("Pare") led the Brown Rudnick team with respect to the due diligence review of the Proposed Transaction. Pare, a partner at Brown Rudnick, has provided strategic legal and business advice to telecommunications, banking and gaming clients throughout his tenure at the firm. Prior to joining Brown Rudnick, Pare served as the Superintendent of Banking for the DBR and the Superintendent of the Securities Division of the State of Rhode Island.

The Brown Rudnick team also included William A. Farrell, the Managing Director and founder of Brown Rudnick's Government Law & Strategies Department ("Farrell"). For more than 25 years, Farrell has represented both governmental entities and private parties in both state legislative and regulatory arenas. Samuel P. Williams, the Managing Director of Brown Rudnick's Corporate Department ("Williams"), was also a member of the Brown Rudnick team. Williams counsels both publicly and privately held companies in the areas of mergers and acquisitions, corporate finance, venture capital, licensing and strategic partnerships and international law. Other senior members of the Brown Rudnick team included Jayne M. Donegan and Gerald Parascandolo (who is resident in Brown Rudnick's London, England office), both partners in Brown Rudnick's Corporate Department.

As part of the State's due diligence investigation, Brown Rudnick retained the following specialists as discussed below.

1. Retention of Kroll.

In April 2006, Brown Rudnick retained Kroll, the world's leading risk consulting company with more than 60 offices on six continents to help conduct the due diligence investigation of the Proposed Transaction. Kroll provides a broad range of investigative, intelligence, financial, security and technology services designed to help clients reduce risk, solve problems and capitalize on opportunities. Importantly, Kroll has considerable experience in: (1) representing governments and governmental entities; (2) Italian affairs -- having been active there for almost 20 years; (3) conducting investigations in the gaming industry; and (4) providing financial advisory services.

The Kroll team was led by Daniel E. Karson, Executive Managing Director and Senior Counsel ("Karson"), and David A. Holley, Managing Director and New England Regional Office Head ("Holley"). Karson has served with Kroll for 23 years and has been responsible for managing and investigating many of the company's sensitive and high-profile investigative matters. Prior to joining Kroll, Karson was: (1) General Counsel and Assistant Commissioner of the Department of Investigation of the City of New York; (2) the first Director of the New York City Inspector General Program; and (3) an Assistant District Attorney in Bronx County, New York where he served as Chief of Narcotics Investigations. Holley, who has been with Kroll since March 2000, is responsible for the management of a variety of investigative and security assignments for corporations, governments and law firms throughout the New England region. Prior to joining Kroll, Holley was: (1) Deputy Director of the Environmental Services Group and a Senior Investigator in Investigative Group International, Inc.'s Boston office; and (2) a litigation support specialist with the Environmental Enforcement Section of the United States Department of Justice.

Other senior members of the Kroll team were, William A. Pike, Managing Director of Kroll's Financial Advisory Services Group, and Marianna Vintiadis, Associate Managing Director and Head of Business Intelligence in Kroll's Milan, Italy office.

2. Retention of PwC.

In April 2006, members of the State Investigative Team interviewed international accounting firms to assist the State Investigative Team in its analysis of the Proposed Transaction. The finalists resulting from this interview process then made follow-up presentations to the State Investigative Team. Based on these final presentations, in May 2006 Brown Rudnick selected and retained PwC, an internationally recognized "big-four" accounting and financial services firm, to perform the requested services. PwC provides industry-focused assurance, tax and advisory services and, within its network, has more than 130,000 people in 148 countries working to serve its clients.

PwC's Hospitality & Leisure Advisory Practice is comprised of approximately 150 industry professionals globally. Its industry consultants bring substantial experience to a wide variety of hospitality sectors, including gaming, lodging, tourism, travel, sports, entertainment, food and beverage, and convention/trade shows. In light of their experience, PwC's gaming professionals are often called upon to provide analysis and recommendations for market studies, operational assessments, financial suitability, regulatory framework development, and other financial, marketing and operational matters for governments, casinos, riverboats, Native American properties, lotteries, and racetracks throughout the world.

The PwC team was led by Michael G. French, a Principal in PwC's Gaming Industry Group (a subsector of PwC's Hospitality & Leisure Advisory Practice) who is

also PwC's Americas Leader and Global Gaming Advisory Leader ("French"). French has over 25 years of experience providing advisory services in various aspects of the hospitality, gaming and leisure industries. Prior to joining PwC, French worked with a Wall Street investment bank and brokerage firm where he was actively involved in mergers and acquisitions, capital structuring and other transactional activities. French was assisted by Sharon Lewis, a PwC Gaming Advisory Services Manager ("Lewis"). Lewis has over 13 years of experience in all segments of the gaming industry including lotteries, gaming equipment manufacturing, land-based casinos, riverboat casinos and racetracks. Prior to joining PwC, Lewis held positions as a Gaming Investment Banker and a Senior Fixed Income Gaming Analyst at an investment firm.

The PwC team also included John Henderson, a Principal in PwC's tax group and PwC's Northeast Region Mergers & Acquisitions Tax Leader ("Henderson"), and Andrew T. Freedman, a PwC Director, Mergers and Acquisitions Tax ("Freedman"). Henderson has been with PwC for over 30 years and has a wide range of industry experience including in the areas of biotechnology, high technology, manufacturing and financial services. Freedman has over 13 years of experience providing tax consulting services to clients in various industries.

3. Retention of Withers.

Brown Rudnick retained the Italian Desk of Withers to assist the State Investigative Team in: (1) evaluating the various Italian legal issues raised by the Proposed Transaction; (2) performing its due diligence investigation of Lottomatica and De Agostini and certain of their affiliates; and (3) coordinating the retention of additional Italian counsel and experts. Withers is an international law firm with a staff of 520, of which over 30 are Italian speakers. Roberta Crivellaro ("Crivellaro") heads Withers'

Italian Desk and was Withers' representative on the State Investigative Team. Crivellaro is qualified to practice law both in Italy and in the United Kingdom and, prior to joining Withers, she was a partner in one of Italy's largest multidisciplinary law firms. Her practice focuses on international corporate transactions and she has extensive experience in the international mergers and acquisitions field.

4. Retention of C&B.

With the assistance of Withers, Brown Rudnick engaged in an extensive review and interview process of law firms based in Italy in order to identify those firms with the required expertise, personnel and experience to lead the legal due diligence review of Lottomatica, De Agostini and certain of their affiliates in Italy.

Brown Rudnick, with the assistance of Withers, identified and retained C&B to lead the legal due diligence review in Italy. C&B has offices in both Milan and Rome, in close proximity to the offices of De Agostini and Lottomatica. It is also one of the largest independent law firms in Italy with its lawyers, tax consultants and chartered accountants numbering approximately 150 persons. C&B has extensive experience in cross-border merger and acquisition transactions involving Italian entities (and the related due diligence review process), finance structures, corporate and commercial transactions, banking and securities laws, insolvency matters, labor law, intellectual property law, and litigation and arbitration expertise.

The C&B team was led by Angelo Bonisconi, the Managing Partner of C&B ("Bonisconi"). Bonisconi is a prominent authority in the area of Italian tax law and serves as statutory auditor on several boards of international companies and banks based in Italy. The C&B team also included Luca Moro, a senior associate at C&B, who has

extensive experience with complex due diligence projects having worked on numerous significant mergers and acquisitions transactions throughout his career.

C. Investigation Methodology.

1. Public Record Searches.

In connection with the State's due diligence investigation, members of the State Investigative Team made inquiries of the Corporate Subjects and their affiliates through: (1) searches of publicly available records and databases, including government records; (2) a review of information drawn from dozens of electronic databases such as LEXIS/NEXIS; and (3) internet searches. These records and databases addressed areas including:

- a. federal, state and local court (including civil, criminal, domestic and probate) filings;
- b. bankruptcy or insolvency filings;
- c. liens and judgment filings;
- d. regulatory filings, including, but not limited to, those made with the Chicago Board Options Exchange, the National Association of Securities Dealers, and the Housing and Urban Development, Occupational Safety and Health Administration;
- e. certain lists indicating dubious behavior, including, but not limited to, the United States Department of the Treasury's Office of Foreign Asset Control's Specially Designated Nationals list, the United States Department of Commerce Bureau of Export Administration Denied Persons list, the Federal Bureau of Investigation's Fugitives 10 Most Wanted list, the United Nations

Sanction list, the World Bank of Debarred Firms list, the Office of Comptroller of Currency list of Unauthorized Banks, and Interpol's European Union Most Wanted list;

- f. corporate registries and directorships databases;
- g. domestic and international press, media and other news reporting agencies;
- h. corporate disclosure filings made by GTECH with the SEC pursuant to the Exchange Act and available at the SEC's EDGAR website (www.sec.gov); and
- i. corporate disclosure filings made by Lottomatica with the Milan Stock Exchange.

2. Background Checks and Interviews.

The investigation also consisted of background checks and interviews of significant personnel affiliated with the Corporate Subjects.

In addition to the public record searches discussed above, formal interviews were conducted with the following persons by members of the State Investigative Team:

Name of Lottomatica or De Agostini Affiliate	Affiliation or Title
Antonio Belloni ¹⁴⁶	Lottomatica Director, Executive Committee Member De Agostini Director, Vice President-Chief Executive Officer, Executive Committee
Rosario Bifulco ¹⁴⁷	Lottomatica Director, Chairman of Executive Committee, Outgoing Chief Executive Officer
Pietro Boroli	Lottomatica Director

¹⁴⁶ The State Investigative Team has been informed that as of the consummation of Proposed Transaction, Mr. Belloni will not be a director or member of the Executive Committee of Lottomatica or De Agostini.

¹⁴⁷ Rosario Bifulco is not expected to be an Executive Committee Member of Lottomatica upon the closing of the Proposed Transaction.

	De Agostini Deputy Chairman, Director
Paola Bottero	De Agostini General Counsel
Paolo Ceretti	Lottomatica Director and Executive Committee Member De Agostini General Manager, Executive Committee Member
Emanuela Chiti	Lottomatica Head of Internal Control; Lottomatica Audit, Quality and Security Director
Marco Drago	Lottomatica Director, Executive Committee Member B&D Holding Chairman De Agostini President, Chairman, Director, Executive Committee Member
Roberto Gaviani	De Agostini Statutory Auditor
Lorenzo Pellicioli	Lottomatica Chairman, Director, Executive Committee Member De Agostini Chief Executive Officer, Director, Executive Committee Member
Claudia Ricchetti	Chief of the Lottomatica Legal Department
Marco Sala	Lottomatica Managing Director, Director, Executive Committee Member
Severino Salvemini	Lottomatica Independent Director
Vittorio Santoni	De Agostini Head of Security

Name of GTECH Affiliate	Affiliation or Title
Marc A. Crisafulli	GTECH Senior Vice President Gaming Solutions
Walter G. DeSocio ¹⁴⁸	GTECH Senior Vice President, General Counsel, Secretary
Robert M. Dewey ¹⁴⁹	GTECH Chairman, Director

¹⁴⁸ Walter DeSocio is expected to be the Chief Administrative Officer of Lottomatica upon the closing of the Proposed Transaction.

¹⁴⁹ Robert Dewey is expected to be a director of Lottomatica upon the closing of the Proposed Transaction.

Jean R. Larson	GTECH Research Analyst - Security
Philip R. Lochner	GTECH Director
James F. McCann ¹⁵⁰	GTECH Director
Timothy B. Nyman	GTECH Senior Vice President Global Services
Jaymin B. Patel ¹⁵¹	GTECH Senior Vice President & Chief Financial Officer
Michael K. Prescott	GTECH Vice President and Deputy General Counsel
Anthony Ruys ¹⁵²	GTECH Director
Donald Sweitzer	GTECH Senior Vice President Global Business Development & Public Affairs
W. Bruce Turner ¹⁵³	GTECH Director, Chief Executive Officer, President

Furthermore, Kroll and the RISP conducted a review of: (1) Multi-Jurisdictional Personal History Disclosure Forms (“Multi-Jurisdictional Forms”); and in certain cases (2) other personal information forms (together, with the Multi-Jurisdictional Forms, the “Personal Disclosure Forms”), submitted by the following affiliates of the Corporate Subjects:

Name of GTECH Affiliate	Affiliation or Title
Marc A. Crisafulli	GTECH Senior Vice President Gaming Solutions
Walter G. DeSocio ¹⁵⁴	GTECH Senior Vice President, General Counsel, Secretary
Timothy B. Nyman	GTECH Senior Vice President Global Services
Jaymin B. Patel ¹⁵⁵	GTECH Senior Vice President & Chief Financial Officer

¹⁵⁰ James McCann is expected to be a director of Lottomatica upon the closing of the Proposed Transaction.

¹⁵¹ Jaymin Patel is expected to be the Chief Executive Officer of Lottomatica upon the closing of the Proposed Transaction.

¹⁵² Anthony Ruys is expected to be a director of Lottomatica upon the closing of the Proposed Transaction.

¹⁵³ W. Bruce Turner is expected to be the Chief Executive Officer, an Executive Committee Member, Managing Director and Vice Chairman of Lottomatica upon the closing of the Proposed Transaction.

¹⁵⁴ Walter DeSocio is expected to be the Chief Administrative Officer of Lottomatica upon the closing of the Proposed Transaction.

Donald Sweitzer	GTECH Senior Vice President Global Business Development & Public Affairs
W. Bruce Turner ¹⁵⁶	GTECH Director, Chief Executive Officer, President
Paget A. Alves	GTECH Director
Christine M. Cournoyer	GTECH Director
Robert M. Dewey ¹⁵⁷	GTECH Chairman, Director
Burnett Donoho	GTECH Director
Victor Duarte	Spielo Vice President & Chief Operating Officer
Rt. Hon. Sir Jeremy Hanley KCMG	GTECH Director
Philip R. Lochner	GTECH Director
James F. McCann ¹⁵⁸	GTECH Director
William Pieri	GTECH Vice President M&A and Treasurer
Anthony Ruys ¹⁵⁹	GTECH Director

Name of Lottomatica or De Agostini Affiliate	Affiliation or Title
Paolo Ainio	Lottomatica Independent Director
Antonio Belloni ¹⁶⁰	Lottomatica Director, Executive Committee Member De Agostini Vice President - Chief Executive Officer, Executive Committee Member
Lino Benassi	De Agostini Director, Executive Committee Member

¹⁵⁵ Jaymin Patel is expected to be the Chief Financial Officer of Lottomatica upon the closing of the Proposed Transaction.

¹⁵⁶ W. Bruce Turner is expected to be the Chief Executive Officer, an Executive Committee Member, Managing Director and Vice Chairman of Lottomatica upon the closing of the Proposed Transaction.

¹⁵⁷ Robert Dewey is expected to be a director of Lottomatica upon the closing of the Proposed Transaction.

¹⁵⁸ James McCann is expected to be a director of Lottomatica upon the closing of the Proposed Transaction.

¹⁵⁹ Anthony Ruys is expected to be a director of Lottomatica upon the closing of the Proposed Transaction.

¹⁶⁰ See Note 146 above.

Rosario Bifulco ¹⁶¹	Lottomatica Director, Chairman of Executive Committee, Outgoing Chief Executive Officer
Alberto Boroli ¹⁶²	De Agostini Director
Andrea Boroli	B&D Holding Director De Agostini Director
Chiara Boroli	De Agostini Director, Head of Public Relations
Marco Boroli	Lottomatica Vice President, Director ¹⁶³ De Agostini Deputy Vice President, Director, Executive Committee Member
Paolo Boroli	Lottomatica Director B&D Holding Director De Agostini Director
Pietro Boroli	Lottomatica Director De Agostini Director, Executive Committee Member
Paolo F. Ceretti	Lottomatica Director, Executive Committee Member De Agostini General Manager
Emile De Demo	Invest Games Director
Alfredo Drago	De Agostini Director ¹⁶⁴
Giorgio Drago	B&D Holding Director De Agostini Director
Marco Drago	Lottomatica Director, Executive Committee Member B&D Holding Chairman De Agostini President, Chairman, Director, Executive Committee Member
Roberto Drago	Lottomatica Director ¹⁶⁵ De Agostini VP, Director, Executive Committee Member

¹⁶¹ Rosario Bifulco is not expected to be the Chief Executive Officer of Lottomatica or an Executive Committee Member of Lottomatica upon the closing of the Proposed Transaction.

¹⁶² Alberto Boroli is not expected to be a director of De Agostini upon the closing of the Proposed Transaction.

¹⁶³ Marco Boroli is not expected to be a director or member of the Executive Committee of Lottomatica upon the closing of the Proposed Transaction.

¹⁶⁴ Alfredo Drago is not expected to be a director of De Agostini upon the closing of the Proposed Transaction.

Renzo Roul Vittorio Ferrante	De Agostini Director
Lorenzo Pellicioli	Lottomatica Chairman, Director, Executive Committee Member De Agostini Director, Chief Executive Officer, Executive Committee Member
Marco Sala	Lottomatica Managing Director, Director, Executive Committee Member
Severino Salvemini	Lottomatica Independent Director
Manolo Santilli	De Agostini Administration & Reporting Director
Paolo Tacchini	De Agostini Director
Gianmario Tondato De Ruos	Proposed Lottomatica Independent Director

The Multi-Jurisdictional Forms typically contain detailed personal and professional information required by regulators about the principal officers and directors of licensed businesses. This information includes identifying data, personal financial holdings, civil and criminal proceedings, address histories and other pertinent information about the subjects and, in certain categories, members of their families.

Members of the State Investigative Team also: (1) interviewed attorneys at Dewey Ballantine LLP, which is representing Lottomatica in connection with the Proposed Transaction, concerning their due diligence investigation of GTECH; (2) spoke with attorneys at Williams & Connolly, which represented GTECH in connection with the investigation by the SEC concerning allegations of malfeasance by GTECH in Brazil; (3) conferred with attorneys at Wilmer Cutler Pickering Hale and Dorr LLP, which represented GTECH regarding an investigation by representatives of the Government of

¹⁶⁵ Roberto Drago is not expected to be a director of Lottomatica upon the closing of the Proposed

Trinidad and Tobago into certain allegations of potential misconduct regarding certain members of the previous administration of the Government of Trinidad and Tobago; (4) interviewed officials and sources in jurisdictions in which GTECH's contracts to provide services or equipment were not renewed, reportedly were in jeopardy of not being renewed or were being challenged (e.g., Colorado, Idaho, New Jersey and Taiwan); (5) contacted certain former employees of the Corporate Subjects in connection with past controversies involving the Corporate Subjects; (6) consulted with the Director General of the Amministrazione Autonoma dei Monopoli de Stato (the organization that regulates the gaming sector in Italy) (the "AAMS") concerning his agency's experiences with Lottomatica; (7) made inquiries of analysts, journalists and other individuals knowledgeable of the gaming sector in general and the Corporate Subjects in particular; and (8) informally met with employees and representatives of the Corporate Subjects to discuss various topics concerning the Corporate Subjects' businesses. In addition, a representative of the RISP interviewed members of the Nevada Gaming Commission concerning issues involving GTECH.

3. Coordination with Other Regulatory Bodies.

Other state lotteries and trade associations were also conducting due diligence reviews of the Proposed Transaction while the State Investigative Team was performing its investigation. In order to benefit from these other investigations and compare their findings, representatives of the State Investigative Team met with officials of the Texas Lottery Commission, the Texas State Police and the New York Lottery to discuss the findings of their investigations. In addition, members of the State Investigative Team participated in numerous North American Association of State and Provincial Lotteries

Transaction.

(“NASPL”) conference calls and meetings relating to its investigation of the Proposed Transaction.

4. GTECH and Lottomatica Management Meetings and Presentations.

Representatives of the State Investigative Team also participated in numerous team meetings with GTECH management members and employees to discuss various topics including GTECH’s:

Topic in GTECH’s Team Meetings
Business Plan, Including
Financial Overview (Past and Current Year Forecast)
Components of Financing
Description of Leading Products and Services
Product Development Strategy
Acquisition Strategy and Problems With Past Acquisitions
Joint Venture Strategy
Reasons for Selling to Lottomatica
Plans to Invest in Rhode Island
Dependence on Sole Suppliers
Customers, Including
Revenues From Top 10 Customers
GTECH’s Communication of the Proposed Transaction to These Customers and Reactions
The Implications of Losing the Account for the Brazilian Lottery
Competition, Including
Description of Top Competitors
Factors on Which GTECH Competes
Description of Competing Technologies
Actions Taken by GTECH Competitors in Response to the Proposed Transaction
Intellectual Property, Including
Infringement Avoidance Procedures
Licenses In
Trade Secret Protection Procedures
Concerns About Competitors
Business Risk Associated With Current and Potential Lawsuits
GTECH’s Rights in Customized Software
Governance and Compliance, Including
Corporate
Role of Audit Committee
Policies and Procedures in Each Jurisdiction
How Compliance is Enforced in Each Jurisdiction
Regulatory

Pending Regulations, if any, and Potential Impact on GTECH
Gaming Licenses
Role of External Auditors in the Merger Transaction and Post Transaction
Internal Controls and Audit, Including
Internal Audit
Role of Department
Size of Department
Involvement in Proposed Transaction
Internal Controls, Including
Risk Assessments
External Audit Findings
Integration of Internal Control Structure
Whistleblower Hotline
IT Systems and Controls
Current IT Structure
Plan for Integration of Systems
Involvement by Outside Consultants
Litigation, Including Those
Disclosed in GTECH's 2006 Annual Report
Disclosed in the Disclosure Schedules to the Merger Agreement
Lost Contracts/Product Problems
Tax Structure

Many of these same representatives also participated in a management meeting with Lottomatica and De Agostini management members in Rome, Italy to discuss various topics including:

Topics in Lottomatica's Management Meeting with GTECH
Proposed Transaction Overview, Including
Integration of Corporate Cultures
Components of Financing
Business Plan (to 2010), Including
Financial Overview (Past and Current Year Forecast)
Description of Leading Products and Services
Product Development Strategy
Acquisition Strategy and Problems With Past Acquisitions
Joint Venture Strategy
Material Contracts
Reasons for Purchasing GTECH
Business Risks
Plans to Invest in Rhode Island
Dependence on Sole Suppliers
Labor
Regulatory and/or Political Issues

Future of GTECH, Including
In Rhode Island
Dividend Policy (Past Five Years), Including
Implications of High Dividend Payout (As a Percentage of Earnings) on Investment Levels and Long-Term Growth
Projections for the Combined Company Assuming a 74% Dividend Payout from 2005 to 2010
Lottomatica and its Affiliates, Including
Holding Company and Subsidiaries Organization
Intercompany Transactions
Financial Reporting Going Forward
Competition, Including
Description of Top Competitors
Factors on Which Lottomatica Competes
Description of Competing Technologies
Agreements/Joint Ventures With Competitors
Intellectual Property
Governance and Compliance (Pre and Post-Acquisition), Including
Corporate
Role of Audit Committee
Policies and Procedures in Each Jurisdiction
How Compliance is Enforced in Each Jurisdiction
Regulatory
Role of External Auditors in the Proposed Transaction and Post-Closing
Internal Controls and Audit
Litigation

In support of the meetings described above, the Corporate Subjects also provided the State Investigative Team with numerous PowerPoint presentations that had been given in the recent past concerning the Corporate Subjects and the Proposed Transaction.

D. Documents Reviewed.

1. GTECH.

In conducting its due diligence review of GTECH, members of the State Investigative Team reviewed numerous categories of documents. **Exhibit 22** to this Report is an illustrative list of the documents that the State Investigative Team reviewed concerning GTECH. GTECH provided documents to the State Investigative Team primarily: (1) at GTECH's corporate headquarters in West Greenwich, Rhode Island (the

“GTECH Corporate Office”); (2) at the Virtual Data Room organized by GTECH’s corporate counsel, Cravath, Swaine & Moore LLP, and accessible on the Internet (the “VDR”), for the benefit of Lottomatica in its due diligence review of the Proposed Transaction; (3) on the SEC’s EDGAR Internet site (www.sec.gov); (4) on GTECH’s Internet site (www.gtech.com); and (5) in response to follow-up requests from the State Investigative Team. The categories of GTECH documents reviewed by the Investigative Team included:

- a. corporate documentation concerning GTECH and its subsidiaries;
- b. corporate governance documents;
- c. GTECH’s filings under the Securities Act of 1933, as amended, and the Exchange Act, including historical financial statements;
- d. reports by GTECH’s auditors concerning GTECH’s financial statements and internal controls;
- e. press releases;
- f. lottery contracts;
- g. financing agreements;
- h. acquisition agreements;
- i. joint venture agreements;
- j. intellectual property documents;
- k. licensing agreements;
- l. presentations made by GTECH concerning the competitive landscape in which it does business and its competitors;

- m. litigation and investigatory materials;
- n. related party transactions;
- o. employment, compensation and benefit plans, agreements and arrangements;
- p. “change-in-control” and severance agreements;
- q. real property agreements and commitments;
- r. environmental documents;
- s. documents related to taxes; and
- t. other contracts deemed to be material.

2. Lottomatica and De Agostini.

In conducting its due diligence of Lottomatica, De Agostini and their affiliates, members of the State Investigative Team reviewed numerous categories of documents at the locations and from the sources specified below. Exhibit 23 to this Report is an illustrative list of the documents that the State Investigative Team reviewed concerning Lottomatica, De Agostini and their affiliates.

a. Rome Data Room.

Lottomatica provided the State Investigative Team access to due diligence documents primarily in a data room (the “Rome Data Room”) maintained at Lottomatica’s corporate headquarters in Rome, Italy (the “Lottomatica Corporate Office”). Many of these documents were provided by Lottomatica in the first instance and others were offered in response to certain follow-up requests made by members of the State Investigative Team.

The categories of Lottomatica documents made available to and reviewed by the State Investigative Team in the Rome Data Room included:

- i. corporate records concerning Lottomatica and its primary subsidiaries;
- ii. corporate governance documents of Lottomatica and its primary subsidiaries;
- iii. documents relating to the relationship between Lottomatica and the AAMS and the concessions and licenses granted;
- iv. documents and agreements relating to Lottomatica's and its primary subsidiaries' core business products and services;
- v. financing documents and agreements;
- vi. acquisition agreements;
- vii. joint venture agreements;
- viii. intellectual property and information technology documents and agreements;
- ix. documents concerning civil, criminal and administrative proceedings and arbitrations against Lottomatica and its and primary subsidiaries;
- x. documents concerning intercompany transactions;
- xi. employment agreements and relevant employment documentation;
- xii. documents relating to real estate and movable assets agreements;
- xiii. documents concerning Lottomatica and taxation issues;
- xiv. financial statements of Lottomatica and its primary subsidiaries;
- xv. data protection documentation;
- xvi. summaries of the insurance policies for Lottomatica and its subsidiaries; and

xvii. other agreements deemed to be material.

b. De Agostini Headquarters.

At De Agostini's corporate headquarters in Novara, Italy, De Agostini provided the State Investigative Team with access to: (1) the statutory books of Lottomatica's former shareholder and subsidiary (Fineurogames S.p.A. and Nova Prima, respectively); and (2) certain of the corporate books of De Agostini.

c. Documents Provided by GTECH.

GTECH provided the State Investigative Team with copies of the:

- i. Rights Offering Circular; and
- ii. Hybrid Bond Offering Circular.

d. Publicly Available Material.

The State Investigative Team also reviewed:

- i the information referenced in Section V.C.1. of this Report;
- ii. the information prospectus filed by Lottomatica with the Commissione Nazionale per le Società e la Borsa, the Italian public authority responsible for regulating the Italian securities market ("CONSOB"), and dated May 10, 2006 (the "CONSOB Prospectus"); and
- iii. press releases available at Lottomatica's web site (www.lottomatica.it).

E. Site Visits.

Members of the State Investigative Team also made several site visits during the course of the due diligence process. These site visits consisted of tours, meetings, interviews and/or document reviews at:

1. the GTECH Corporate Office and manufacturing facility in West Greenwich, Rhode Island;
2. the Lottomatica Corporate Office in Rome, Italy;
3. the offices of Saiber Schlesinger Satz & Goldstein, LLC, Lottomatica's U.S. counsel, in Newark, New Jersey; and
4. De Agostini's corporate headquarters in Novara, Italy.

In addition, and as mentioned above: (a) members of the State Investigative Team traveled to the State of Texas to meet with officials of the Texas Lottery Commission and the Texas State Police; and (b) representatives of the RISP traveled to Nevada to meet with members of the Nevada Gaming Commission.

F. Geographic Breadth.

The global reach of the Corporate Subjects' currently existing businesses is substantial. Consequently, the State Investigative Team focused its investigation of the Corporate Subjects and their affiliates in each of the principal geographic regions in which the Corporate Subjects operate or formerly operated; namely (1) the United States; (2) Latin America; and (3) Italy. Beyond these areas, members of the State Investigative Team conducted research in the following jurisdictions:

- a. Brazil;
- b. Canada;
- c. China;
- d. Germany;
- e. Mexico;
- f. Puerto Rico;
- g. Spain;

- h. Taiwan;
- i. Trinidad and Tobago;
- j. Turkey; and
- k. the United Kingdom.

Within the United States, members of the State Investigative Team focused their inquiries primarily in:

- i. Colorado;
- ii. Idaho;
- iii. Illinois;
- iv. Louisiana;
- v. New Jersey;
- vi. New York;
- vii. Rhode Island; and
- viii. Texas.

G. Scope of Legal Review.

The general assignment given to Brown Rudnick by the State was to perform a due diligence investigation of the Corporate Subjects and their affiliates with the ultimate goal of protecting the interests of Rhode Island; as such interests relate to the Proposed Transaction. In doing so, however, the State recognized that the resources (both in terms of time and money) were not available to conduct a full scale review of every possible fact. As such, both the State and Brown Rudnick agreed to certain due diligence parameters that the State Investigative Team would apply to its investigation.

1. GTECH.

As described in Section V.D.I. of this Report, Brown Rudnick identified numerous categories of legal documents that the State Investigative Team would review in the course of its legal due diligence investigation of GTECH. Based on these document categories, Brown Rudnick recommended and the State Investigative Team agreed that, in general, the State Investigative Team would not review contracts and other materials except applying the following review parameters:

a. Lottery Agreements.

The State Investigative Team limited its review of GTECH's lottery and related agreements to encompass the following jurisdictions which represented a significant portion of GTECH's total service revenues in its fiscal year ended February 25, 2006:

- i. Brazil;
- ii. California;
- iii. Czech Republic;
- iv. Florida;
- v. Georgia;
- vi. Illinois;
- vii. Italy;
- viii. Mexico;
- ix. Michigan;
- x. Missouri;
- xi. New Jersey;
- xii. New York;
- xiii. Ohio;
- xiv. Poland;

- xv. South Africa;
- xvi. Taiwan;
- xvii. Texas; and
- xviii. United Kingdom.

The review of these agreements focused on the following provisions: (1) duration of the agreement; (2) compensation terms; (3) early termination rights by the lottery authority; (4) pending litigation or settlements entered into by GTECH; (5) bond requirements and/or other financial obligations on the part of GTECH; (6) assignment/subcontracting rights; (7) significant or unusual liquidated damages provisions; (8) default provisions; (9) exclusive rights; (10) change of control provisions; (11) proprietary and other ownership rights of GTECH; (12) audit rights; and (13) any other unusual or significant GTECH obligations.

b. Joint Ventures, Partnerships and Strategic Relationships.

Based upon the GTECH joint venture and partnership documents located at the GTECH Corporate Office and in the VDR, the State Investigative Team limited its review of joint ventures and partnerships to those appearing in the following lists:

Joint Ventures

- i. Lottery Technology Enterprises;
- ii. Uthingo Management (Proprietary) Limited (South Africa);
- iii. WBS Holdings (Proprietary) Limited;
- iv. Wireless Business Solutions (Proprietary) Limited (South Africa);
- v. GTECH Czech Republic, LLC;
- vi. Loxley GTECH Technology Co. Ltd.;
- vii. Veikkaus Oy (Finland);

- viii. Aitken Spence;
- ix. COGTECH S.p.A.;
- x. Spelparken I Sverige AB;
- xi. Innoka Oy; and
- xii. Raicall Limited.

Partnerships

- y. Retana Partners Ltd.; and
- z. Turfway Park, LLC.

The review of these agreements focused on the following provisions: (1) ownership interests; (2) term of agreement; (3) termination and/or withdrawal provisions; (4) restrictions on transfer of ownership interests; (5) put and call rights with respect to ownership interests; (6) indemnification provisions; and (7) restrictions on operations of the owners, such as non-competition covenants.

The State Investigative Team also reviewed the agreements concerning GTECH's strategic relationships with Hasbro Properties Group ("Hasbro"), Harrah's Operating Company, Inc. ("Harrah's") and Suffolk Downs race track ("Suffolk Downs") primarily to understand the rights and obligations of both parties and the termination rights of both parties under the agreements.

c. Acquisition Transactions.

Based upon the lists of GTECH acquisitions, dispositions and other investments located in the VDR and the Disclosure Schedules, the State Investigative Team reviewed the following transactions:

- i. Atronic (pending);
- ii. PolCard S.A.;
- iii. Spielo Manufacturing, Inc.;
- iv. BoxerJam Productions, Inc.;
- v. Retama Partners Ltd;
- vi. Call Now, Inc.;
- vii. Impact Solutions Corporation;
- viii. Indicii Salus Limited;
- ix. Jenosys/Fintry Enterprises Inc.; and
- x. Leewards Islands Lottery Holdings Company, Inc.

The review of these transactions focused on the following provisions: (1) assets or interests acquired; (2) earn-out provisions that have not been fulfilled; (3) indemnification provisions; (4) restrictions on operations of parties, such as non-competition covenants and other post closing covenants; and (5) potential liabilities identified in disclosure schedules. With regard to the pending Atronic acquisition, however, the scope of review was somewhat broader because of the perceived importance of the transaction and the fact that it is not contemplated to close until December 2007.

d. Corporate Minute Books and Board of Directors Materials.

GTECH also made its, and its subsidiaries', corporate minute books (including minutes for stockholder, board and committee meetings) and Board of Directors materials available for review at the GTECH Corporate Office. The State Investigative Team reviewed these materials going back to January 1, 2003 and focused only on items it deemed to be material. A list of all of the GTECH corporate entities for which the State Investigative Team reviewed corporate minute books and Board of Directors materials (if available) appear on **Exhibit 24** to this Report.

e. Real Estate.

The State Investigative Team reviewed GTECH's real estate holdings located within the State of Rhode Island.

f. Other Categories of Documents.

As listed in Section V.C.1. of this Report, the State Investigative Team examined documents addressing subjects beyond those listed in subsections (a) through (e) above. In reviewing those documents, the State Investigative Team limited its review to items that it believed the State would find material.

2. Lottomatica.

As described in Section V.D.2 of this Report, the State Investigative Team identified numerous categories of legal documents it would review in the course of its legal due diligence investigation of Lottomatica. Based on these document categories and a general materiality value threshold (unless otherwise specified) of at least €2.5 million (approximately \$3.2 million), the State Investigative Team and the State agreed upon the following review parameters:

a. Lottery Concessions, Licenses, and Permits.

The review of Lottomatica's lottery concessions (i.e. the equivalent of contracts), licenses and permits focused on the following provisions: (1) duration of the concessions and licenses; (2) terms of renewal; (3) events of default; (4) Lottomatica's obligations towards the regulatory bodies and authorities; (5) terms for revocation; (6) the effects of termination; (7) warranties and guarantees given; and (8) penalties and/or liquidated damages.

b. Products and Services.

With regard to agreements to provide products and services, the State Investigative Team focused on agreements concerning the supply of services and products that are part of the core business of Lottomatica and its subsidiaries and that have a total value exceeding €1 million (approximately \$1.3 million). The review of these items focused on the following elements: (1) the formal execution and the date of execution of the agreements; (2) the duration of the agreement; (3) compensation terms; (4) early termination rights; (5) any settlements entered into between the parties; (6) bond requirements and/or other financial obligations on the part of the Lottomatica entities; (7) assignment/subcontracting rights; (8) significant or unusual liquidated damages provisions; (9) default provisions; (10) exclusive rights granted; (11) change of control provisions; and (12) unusual or significant obligations.

c. Litigation, Arbitration and Administrative Proceedings.

In relation to litigation, arbitration and administrative proceedings, the State Investigative Team focused its review on material proceedings each of which had a total value exceeding €1 million (approximately \$1.3 million) and that were confirmed by Lottomatica to be material. The most significant of these matters related to the AAMS's

pending appeal of an arbitration decision in favor of Lottomatica regarding the expiration date of the Italian Lotto concession (i.e. contract) granted Lottomatica.

d. Corporate Records.

Lottomatica currently directly controls the following subsidiaries (the “Lottomatica Primary Subsidiaries”): (1) Lottomatica Sistemi S.p.A.; (2) Consorzio Lotterie Nazionali; (3) Nova Prima S.r.l.; (4) Invest Games S.A.; (5) Consorzio Lottomatica Giochi Sportivi; (6) Lottomatica Italia Servizi S.p.A.; (7) RTI Videolot S.p.A.; (8) Videolot Gestione S.p.A.; (9) Cirmatica Gaming S.p.A.; (10) Gold Holdings Corporation; (11) Lottolatino do Brasil (in liquidation); (12) Lottomatica Argentina S.A. (in liquidation); and (13) Imprenditori Associati (in liquidation).

Additionally, it indirectly controls seven entities and holds a minority interest in another three entities. Lottomatica’s corporate structure is depicted on Exhibit 6 to this Report.

The State Investigative Team reviewed the corporate records and statutory books of Lottomatica and of the following Lottomatica Primary Subsidiaries for the last three years and focused only on items it deemed to be material: (1) Lottomatica Sistemi S.p.A.; (2) Consorzio Lotterie Nazionali; (3) Nova Prima S.r.l.; (4) Consorzio Lottomatica Giochi Sportivi; (5) RTI Videolot S.p.A.; (6) Videolot Gestione S.p.A.; and (7) Lottomatica Italia Servizi S.p.A.

In addition, the State Investigative Team reviewed the ownership records of Lottomatica by examining Lottomatica’s statutory books (which are comparable to stock ledgers in the United States) and the publicly available records of CONSOB to which owners of 2% or more of companies that are publicly listed in Italy must report their holdings.

e. Joint Venture, Consortium and Partnership Agreements.

The State Investigative Team focused its review of Lottomatica joint venture, consortium and partnership agreements to a survey of: (1) ownership provisions; (2) the term of the agreement; (3) early termination and/or withdrawal provisions; (4) restrictions on transfer of ownership interests; (5) indemnification provisions; and (6) restrictions on operations provisions.

f. Employment.

The State Investigative Team also conducted a general review of the employment and compensation documentation provided in the Rome Data Room with a specific focus on: (1) potential claims lodged by dismissed employees; and (2) the employment of independent workers, both issues that can become material obligations to companies under Italian law.

g. Intellectual Property and Information Technology.

In relation to documents provided in the Rome Data Room regarding intellectual property and information technology, the scope of review employed by the State Investigative Team encompassed: (1) a review of intellectual property registrations provided; and (2) a review of the information technology service agreements provided with a focus on the following matters (a) the parties to the agreement, (b) the duration of the agreement, (c) the obligations of the parties thereunder, (d) events of default, (e) potential material liabilities, (f) effects of termination, (g) warranties and guarantees provided, and (e) any stated penalties.

h. Offering Materials and CONSOB Prospectus.

The State Investigative Team's review of the Rights Offering Circular, the Hybrid Bond Offering Circular and the CONSOB Prospectus was limited in scope to a review of

the disclosures made therein by Lottomatica to confirm that such disclosures were accurate in comparison to the documents provided by Lottomatica in the Rome Data Room.

3. De Agostini.

The scope of the State Investigative Team's due diligence review of De Agostini and its affiliates encompassed:

- a. searches of public records and other databases concerning De Agostini's business activities, the members of its Board of Directors and members of its management;
- b. interviews with certain members of De Agostini's Board of Directors and management;
- c. a review of De Agostini's corporate structure; and
- d. an examination of certain De Agostini Board of Directors and committee meetings and statutory books that were provided by De Agostini and its counsel for the past three years.

H. Scope of Suitability Review.

As part of the review into the backgrounds and suitability of the Corporate Subjects and certain of their affiliates, the following actions were taken by the State Investigative Team, led by Kroll:

1. interviews of current and former key directors, officers and employees of the Corporate Subjects;
2. an analysis of Personal Disclosure Forms for certain directors and officers of the Corporate Subjects;

3. interviews of selected government officials and regulators where GTECH and Lottomatica operate or formerly operated;
4. a thorough due diligence review of the Corporate Subjects and several of their affiliates, including litigation and regulatory proceedings;
5. searches of publicly available sources (including government records) and electronic database sources;
6. an assessment of the robustness of GTECH's and Lottomatica's internal controls, as well as the effectiveness of their compliance processes; and
7. a review of GTECH's and Lottomatica's security mechanisms and their maintenance of confidential information and materials.

Due to the extensive corporate reach of GTECH's business, both nationally and internationally, Kroll proposed an investigative strategy that was designed to collect and analyze information that would be most relevant for the State Investigative Team's suitability review. This strategy involved:

- a. confirming information that GTECH and its affiliates willfully supplied, such as that information contained in the Personal Disclosure Forms; and
- b. seeking to determine if there were notable matters of controversy involving GTECH and/or its affiliates, such as criminal or regulatory civil investigations, significant litigation, major contingent liabilities and the like.

I. Scope of Review of Certain Financial Matters.

The State Investigative Team, again led by Kroll, also reviewed financial and accounting analyses performed by other professionals relating to: (1) the recent financial conditions of GTECH and Lottomatica; and (2) the Proposed Transaction. In performing this portion of the investigation, Kroll, among other things, examined:

1. guaranty commitments;
2. regulatory actions (including those conducted by licensing authorities and tax regulators);
3. changes in accounting policies;
4. significant contracts and transactions;
5. significant income earned and expenses incurred outside of normal operations;
6. other significant and unusual or non-recurring transactions; and
7. pending litigation and contingent or other unrecorded liabilities.

The purpose of this portion of the investigation was to identify matters that could bear on the risk profile of the Combined Company and provide some insight into the financial condition of GTECH and Lottomatica, their financial relationships, their internal control structures, the knowledge of each other's businesses, the concerns expressed (both operationally and financially) about the Proposed Transaction, and regulatory compliance.

J. Scope of Financial and Tax Analysis.

The State Investigative Team also conducted a due diligence inquiry into:

1. the financial viability of the Combined Company on a "going forward" basis; and

2. tax issues affecting the Combined Company.

In performing the financial viability inquiry, the State Investigative Team: (a) reviewed the proposed structure of the Combined Company (including its proposed debt burden and capital structure); (b) performed an in-depth qualitative assessment of the market potential for various lottery markets including the Italian lottery market, twenty lottery jurisdictions representing GTECH's top 20 contracts (the "Top 20 GTECH Jurisdictions") and "Greenfield" lottery markets identified by GTECH (i.e. markets in which GTECH does not yet have a presence, but may seek to do business); (c) evaluated GTECH's competitors with respect to revenue drivers such as products and services mix, distribution methods and successful contract bids and re-bids; (d) analyzed and assessed GTECH's historical revenues and GTECH management's forward looking estimates for revenues and revenue drivers for each of the Top 20 GTECH Jurisdictions to understand historical and future growth strategies; (e) scrutinized GTECH's key customer contracts; (f) compared GTECH's historical financial performance with GTECH's management's estimate of future financial performance; (g) compared pro forma results for the Combined Company to the financial results of its primary publicly traded peer group companies; (h) prepared a "budget versus actual" analysis on GTECH for the past five years; (i) performed a ratio and trend analysis using GTECH management's estimated future financial results; (j) analyzed Standard's & Poor's and Moody's reports to understand their perspectives concerning the Proposed Transaction; and (k) researched and analyzed estimated capital structure elements including dividend distribution policy and key debt covenants and provisions.

The tax analysis involved: (i) reviewing the tax implications of the Proposed Transaction for GTECH's continuing operations; (ii) evaluating GTECH management's

forecasted tax cash flows and the impact of the Proposed Transaction on GTECH's tax cash flows; and (iii) analyzing the tax implications of the Proposed Transaction for Lottomatica's continuing operations and its impact on Lottomatica's future tax cash flows.

K. Other Areas of Inquiry.

The State Investigative Team also made inquiries into many of the topics that were raised in the course of their due diligence review. These topics included:

1. GTECH contracts that were not renewed by customers;
2. GTECH contracts that have been the subject of intense scrutiny in the press;
3. GTECH contract awards that have been challenged by competitors;
4. GTECH technical problems reported by customers and the press;
5. GTECH's ongoing disputes with competitors;
6. allegations reported in the press alleging improper behavior by GTECH in the political arena in connection with the awarding of contracts;
7. GTECH's and Lottomatica's corporate governance mechanisms, internal audit controls and information technology systems and controls;
8. GTECH's policies regarding political contributions; and
9. GTECH's compliance program (including its Code of Conduct, Global Business Development and Public Affairs Policy and "whistleblower" reporting mechanisms).

VI. AREAS OF FOCUS CONCERNING GTECH.

As discussed in Section V of this Report, the State Investigative Team conducted a comprehensive due diligence review of GTECH and its affiliates. In the context of this investigation, the State Investigative Team questioned GTECH extensively about material items disclosed in the information produced to the State Investigative Team, identified certain subject matters as being particularly important for the State to consider and increased the State Investigative Team's scrutiny of these subjects. This section of the Report discusses several of the areas that the State Investigative Team focused on during its investigation of GTECH.

A. Brazil.

Beginning in January 1997, GTECH's Brazilian subsidiary, GTECH Brasil Ltda., and its predecessor (collectively, "GTECH Brazil"), entered into various contracts and contract extensions (collectively, the "CEF Contracts") to provide lottery goods and services, and technology and financial transaction services to Caixa Econômica Federal, the Brazilian bank and operator of Brazil's National Lottery ("CEF").¹⁶⁶ GTECH's current contract with CEF was extended for a period of 90 days effective as of May 14, 2006, the date it was otherwise set to terminate.¹⁶⁷

Numerous allegations have been made against GTECH Brazil and others, including present and former officers of GTECH Brazil, in connection with certain of the CEF Contracts. These allegations include accusations that GTECH Brazil illegally induced CEF to enter into certain of the CEF Contracts and that GTECH Brazil acted illegally in performing under certain of the CEF Contracts. As a result of these

¹⁶⁶ See GTECH 2006 Annual Report at 41-42.

¹⁶⁷ See GTECH Press Release dated May 15, 2006, "Caixa Econômica Federal In Brazil Approves 90-Day Contract Extension With GTECH."

allegations, GTECH Brazil is involved in the following legal proceedings, among others: (1) a civil action that was initiated by federal attorneys with Brazil's Public Ministry against GTECH Brazil and two of its former employees, among others; (2) an investigation by the Brazilian Federal Police and the SEC; (3) a public class action lawsuit in Brazil against, among others, the Brazilian Federal government, CEF and GTECH Brazil; and (4) audits by the Brazilian Federal Court of Accounts.¹⁶⁸ These legal proceedings are described below.

1. Civil Action by Public Ministry Attorneys.

This civil action, initiated in April 2004, alleges that the defendants acted illegally by entering into, amending and performing certain contracts between GTECH Brazil and CEF.¹⁶⁹ It also seeks to impose damages equal to: (1) the sum of all amounts paid to GTECH under these CEF contracts; plus (2) certain other permitted amounts; minus (3) GTECH's proven investment costs.¹⁷⁰ The applicable statute also permits the assessment of interest and, in the discretion of the court, penalties of up to three times the amount of the damages imposed.¹⁷¹ GTECH estimates that: (a) through the date of the lawsuit GTECH received a total of approximately \$702 million, at currency-exchange rates in effect as of February 25, 2006, under these contracts; and (b) its investment costs through the date of the lawsuit were approximately between \$562 million and \$656 million at these currency exchange rates.¹⁷²

GTECH has represented that it has good and adequate defenses to the claims made in this lawsuit and that, while it cannot rule out the possibility that it will ultimately

¹⁶⁸ See GTECH 2006 Annual Report at 41-46.

¹⁶⁹ *Id.* at 43.

¹⁷⁰ *Id.*

¹⁷¹ *Id.*

¹⁷² *Id.* at 43-44.

be held liable in this matter, or estimate the amount of such liability in such event, it believes the outcome of this lawsuit is not likely to have a material adverse affect on its results of operations or business.¹⁷³ GTECH has also stated that it has been advised by its Brazilian counsel that these proceedings are likely to take several years, and could take longer than 15 years in certain circumstances, to litigate through the appellate process to final judgment.¹⁷⁴

2. Criminal Allegations Against Certain Employees And Related SEC Investigation.

In 2004, Brazil's Public Ministry recommended that nine individuals, including one former and one current officer of GTECH, be charged with offering improper inducements in connection with the extension of GTECH's contract with CEF in 2003 (the "2003 Contract") and otherwise helping GTECH illegally to obtain the extension.¹⁷⁵ The judge reviewing these charges refused to initiate the criminal charges, but granted a request by the Brazilian Federal Police to continue their investigation.¹⁷⁶ The Brazilian Federal Police concluded the investigation and issued a report which did not recommend that charges be filed against the current and former officers of GTECH.¹⁷⁷ The Public Ministry Attorney, however, subsequently requested that the Brazilian Police reopen their investigation and according to GTECH, such investigation, including an investigation respecting the award of, and performance under certain of the CEF Contracts, is still ongoing.¹⁷⁸ In addition, a special investigating panel of the Brazilian Congress issued a preliminary report in January 2006 recommending indicting more than 30 people,

¹⁷³ *Id.* at 44.

¹⁷⁴ *Id.*

¹⁷⁵ *Id.* at 42.

¹⁷⁶ *Id.*

¹⁷⁷ *Id.*

¹⁷⁸ *Id.*

including one current and three former employees of GTECH Brazil, alleging that these individuals helped GTECH illegally obtain an extension of its 2003 Contract.¹⁷⁹

The SEC began an informal inquiry in February 2004, which became a formal investigation in July 2004, into: (1) the Brazilian criminal allegations against certain of GTECH's current and former officers; and (2) GTECH's 2003 Contract extension. GTECH represented to the State Investigative Team that it has not received any communications from the SEC concerning this matter for several months.

GTECH also conducted an internal investigation of the issues surrounding the 2003 Contract extension under the supervision of the independent directors of GTECH Holdings Corporation and has represented that this investigation did not reveal any evidence that GTECH or any of GTECH's current or former employees had violated any United States law, or is otherwise guilty of any wrongdoing in connection with these matters.¹⁸⁰

GTECH has further represented that, in light of the fact that its reputation for integrity is an important factor in its business dealings with lottery and other governmental agencies, an allegation or finding of improper conduct by it or any of its current or former employees that is attributable to it could have a material adverse effect on its results of operations, business or prospects, including its ability to retain existing contracts or to obtain new or renewal contracts within Brazil and elsewhere.¹⁸¹

3. Public Class Action Lawsuit.

In February 2004, a Brazilian individual commenced a public class action lawsuit against the Brazilian Federal government, CEF, several former and current officers of

¹⁷⁹ *Id.* at 43.

¹⁸⁰ *Id.*

¹⁸¹ *Id.*

CEF, the former president of GTECH Brazil's predecessor, and GTECH Brazil, seeking, among other relief, a preliminary injunction prohibiting CEF from making further payments to GTECH Brazil under a certain CEF Contract, and an order that would terminate such contract and require the defendants, jointly and severally, to refund amounts received by GTECH Brazil under certain contracts.¹⁸² This lawsuit bases its claims upon numerous alleged defects and irregularities in CEF Contracts entered into in 1997 and 2000, and the manner in which the procurement processes that gave rise to the awards of these contracts were organized and administered.¹⁸³

GTECH has represented that it intends to mount a vigorous challenge to the claims that comprise this lawsuit, and has noted that the Public Ministry Attorneys filed an opinion with the federal court requesting that this suit be consolidated with the Public Ministry Attorneys' civil action described above.¹⁸⁴

4. TCU Audit.

In June 2003, the Brazilian Federal Court of Accounts ("TCU") issued a summons to GTECH based on allegations in a May 2003 audit report (the "2003 Audit Report") issued by the TCU relating to a 1997 CEF Contract (the "1997 Contract").¹⁸⁵ The 2003 Audit Report alleged, among other things, that GTECH was accorded certain payment increases with respect to lottery services and that GTECH contracted to supply to CEF certain lottery services that were not contemplated by the procurement process for the 1997 Contract and that are not otherwise permitted under Brazilian law.¹⁸⁶ As a result, the TCU alleged that GTECH should be required to repay an amount equivalent to

¹⁸² *Id.* at 44.

¹⁸³ *Id.*

¹⁸⁴ *Id.* at 45.

¹⁸⁵ *Id.*

¹⁸⁶ *Id.*

approximately \$14 million, based on the currency exchange rates in effect on February 25, 2006.

In June 2005, the TCU issued a second preliminary report with respect to GTECH's CEF Contracts (the "2005 Audit Report"). The 2005 Audit Report alleges an improper transfer of the 1997 Contract to GTECH, payment increases inconsistent with the procurement process for the 1997 Contract and in violation of Brazilian law and that the extension of the 2003 Contract was entered into in a manner inconsistent with the procurement process and Brazilian law. As a result, the 2005 Audit Report seeks repayment by GTECH of an amount equivalent to approximately \$140 million, based on the currency exchange rates in effect on February 25, 2006.¹⁸⁷

GTECH has stated that it believes that it has good defenses in this matter and intends to defend itself vigorously in these proceedings.¹⁸⁸ Furthermore, GTECH has represented that it believes that the claims and determinations in these reports have, in essence, been merged into the civil action and public class action lawsuit referred to above and are accordingly unlikely to represent an independent potential source of liability.¹⁸⁹ GTECH has stated that it cannot rule out the possibility that it will ultimately be held liable in this matter, however, it believes that the outcome of this matter is not likely to have a material adverse effect on its results of operations or business.¹⁹⁰

5. Conclusion.

While it is not possible at this time to determine what the outcome of the legal proceedings described above will be, if there were to be an adverse determination against

¹⁸⁷ *Id.*

¹⁸⁸ *Id.*

¹⁸⁹ *Id.* at 45-46.

¹⁹⁰ *Id.* at 46.

GTECH in any of those proceedings in the future, such a determination could have a material adverse effect on the Combined Company.

B. The Pending Atronic Acquisition.

GTECH entered into an agreement in December 2004, as amended in March 2005 and December 2005, to acquire a 50% controlling equity position in the Atronic group of companies (“Atronic”) owned by Paul and Michael Gauselmann (the “Gauselmanns”).¹⁹¹ The remaining 50% of Atronic is expected to be retained by the Gauselmanns, but pursuant to a voting agreement with GTECH, GTECH retains the right to cast the deciding vote at Atronic shareholder meetings in most instances. GTECH expects that this all-cash transaction will have a total value of approximately \$100 million to \$150 million, for GTECH’s 50% share, including the assumption of debt.¹⁹²

Atronic is a leading video gaming machine provider in Europe, Russia and Latin America, has a growing presence in the United States and is licensed in 209 worldwide gaming jurisdictions.¹⁹³ It manufactures video gaming machines and also develops video machine games and customized solutions for dynamic gaming operations.¹⁹⁴

The Atronic acquisition, if completed, would represent a significant migration of GTECH into the gaming solutions market; especially when viewed along with its acquisition of Spielo Manufacturing Incorporated in 2004. The transaction is contingent upon regulatory and gaming license approvals and other closing conditions.¹⁹⁵ GTECH originally expected this acquisition to be consummated in December 2006, but because of

¹⁹¹ See GTECH 2006 Annual Report at 74.

¹⁹² *Id.* at 75.

¹⁹³ *Id.* at 4.

¹⁹⁴ *Id.* at 74.

¹⁹⁵ *Id.*

delays in obtaining various regulatory and gaming license approvals as a result of the Proposed Transaction GTECH now expects it to be completed by December 2007.¹⁹⁶

Through the end of 2011, GTECH has the option to purchase the Gauselmanns' remaining 50% interest in Atronic at a price calculated pursuant to a performance based formula, however, the payment for this 50% interest cannot be less than €50 million (approximately \$64 million).¹⁹⁷ During this period, the Gauselmanns have the right to require GTECH to purchase their remaining 50% interest (the "Atronic Put Right").¹⁹⁸ The Atronic Put Right becomes effective only: (1) if the Gauselmanns decide not to participate in a major acquisition by GTECH; or (2) if the Gauselmanns two years from the closing of the transaction but before five years from such closing do not agree with the shareholders or advisory board decision (a) to expand Atronic's operations beyond the current geographic area, or outside the scope of the gaming industry, (b) to revise the business plan, or (c) to take actions that would require shareholders to commit to increase loans or capital to a parent company. The exercise price of the Atronic Put Right under the specified circumstances would be calculated through a performance based formula.¹⁹⁹

Beginning in 2012, GTECH has the option to purchase the Gauselmanns' remaining interests in Atronic and the Gauselmanns have a reciprocal right to sell their interest to GTECH at a value determined by independent appraisers.²⁰⁰

In connection with GTECH's planned acquisition of Atronic, GTECH has guaranteed a total of €45 million (approximately \$57.4 million) of Atronic's obligations due under loans made by commercial lenders to Atronic.²⁰¹

¹⁹⁶ *Id.*

¹⁹⁷ *Id.* at 75.

¹⁹⁸ *Id.*

¹⁹⁹ *Id.*

²⁰⁰ *Id.*

²⁰¹ *Id.* at 117 (Notes to Consolidated Financial Statements, Note 16—Guarantees and Indemnifications).

GTECH must pay substantial extension fees (€10 million or approximately \$12.8 million) if the closing does not occur prior to October 1, 2007. In addition, if Atronic withdraws from the acquisition under certain circumstances GTECH will owe Atronic a “breakup” fee of €15 million (approximately \$19.1 million) or €20 million (approximately \$25.5 million), depending upon the circumstances of the withdrawal.

The Atronic acquisition is an important component of the Combined Company’s business plan. As such, if the Atronic acquisition is not consummated, this could have a material adverse effect on the Combined Company.

C. Joint Ventures and Strategic Alliances.

In the course of its investigation of GTECH, the State Investigative Team reviewed certain joint venture and strategic alliance documentation as described in Section V.D.1. of this Report. Of these joint ventures and strategic alliances, the State Investigative Team identified GTECH’s arrangements with Hasbro Properties, Harrah’s and Suffolk Downs as having enhanced significance to the State.

1. Hasbro.

During 2003, GTECH entered into agreements with Hasbro Properties, the intellectual property development arm of Hasbro, Inc., in an effort to strengthen its lottery game content library. Under these agreements, Hasbro Properties granted to GTECH a license to develop and distribute select lottery products featuring Hasbro’s MONOPOLY and BATTLESHIP brands in the United States, Canada and Mexico. These agreements are expiring in December 2006. In addition, in 2005, GTECH entered into an agreement with Hasbro Properties granting GTECH exclusive rights in the United States and Canada

to develop and market slot machines and video lottery terminals featuring THE GAME OF LIFE property brand in the casino and government sponsored environments.²⁰²

2. Harrah's.

In May 2005, GTECH and Harrah's entered into a Master Agreement (the "Harrah's Master Agreement") and a Gaming Equipment Lease Agreement (the "Harrah's Lease Agreement") and together with the Harrah's Master Agreement (the "Harrah's Agreements"). The Harrah's Agreements reflect a strategic relationship whereby GTECH has agreed to supply Harrah's properties with casino gaming machines and the two companies have agreed to work together to develop new game content.²⁰³

These agreements also provide, among other things, that:

- a. GTECH publicly support and cooperate with a strategic plan to advocate in favor of a casino project proposed by Harrah's to be located in the State of Rhode Island (the "Harrah's Casino Project");
- b. GTECH license certain slot machines in jurisdictions where Harrah's does, or intends to operate casino properties (a "Harrah's Participating Property");
- c. GTECH lease slot machines to Harrah's (each a "Harrah's Slot Lease");
- d. GTECH maintain and repair the slot machines leased to Harrah's and provide technical assistance and training to Harrah's;
- e. GTECH maintain an available library of slot machine themes;

²⁰² See GTECH 2006 Annual Report at 37.

²⁰³ See *Id.* at 19.

- f. Harrah's place GTECH slot machines at Harrah's Participating Properties;
- g. Harrah's make certain payments to GTECH; and
- h. GTECH and Harrah's cooperate to make GTECH slot machines compatible with Harrah's systems and operations.

In light of the agreement with Harrah's, GTECH waived any right to a refund of a portion of the \$12.5 million intangible asset payment pursuant to the Master Contract if any significant decline in sales occurs as a result of the new competition from the proposed Harrah's Casino Project.²⁰⁴

3. Suffolk Downs.

In 1991, GTECH made an investment in Suffolk Downs race track in Massachusetts and acquired the right to provide all technological services and equipment to Suffolk Downs with respect to lottery, video and gaming activities. GTECH has acknowledged that while its investment in Suffolk Downs has been sold, the rights to provide gaming services and equipment remain in place. Due to the proximity of Suffolk Downs to the State of Rhode Island, additional lottery or gaming activities undertaken at Suffolk Downs by GTECH could: (a) impact on the revenues generated for the State; and (b) have caused a significant decline in sales pursuant to the Master Contract thereby triggering a refund of the \$12.5 million intangible asset payment made pursuant to the Master Contract.²⁰⁵

²⁰⁴ See Waiver and Release Agreement dated May 5, 2005 by GTECH for the benefit of the Rhode Island Lottery. See Section IV.A. of this Report for more details concerning the intangible asset payment.

²⁰⁵ *Id.*

D. Intellectual Property Disputes.

As with most significant companies that rely upon technology for the success of their businesses, GTECH is a participant in numerous intellectual property related disputes.

Among these disputes, the State Investigative Team identified the lawsuit filed on May 9, 2005 by Scientific Games Royalty Corporation, an affiliate of Scientific Games Corporation ("Scientific Games"), against GTECH in the United States District Court for the District of Delaware as worthy of increased scrutiny (the "Scientific Games Lawsuit"). The Scientific Games Lawsuit alleges that GTECH's systems for the Rhode Island Lottery's Powerball Play and Keno Plus games has infringed two patents owned by Scientific Games (U.S. Patent Nos. 6,648,753 and 6,692,354).

GTECH and Scientific Games are competitive rivals.²⁰⁶ For example, GTECH has also sued Scientific Games in the United States District Court for the District of Delaware alleging that Scientific Games's instant ticket vending machines infringe two GTECH patents. In addition, GTECH and Scientific Games often bid against each other for governmental lottery contracts and Scientific Games has protested a number of recent contract awards to GTECH.

GTECH has disclosed to the State Investigative Team that the Scientific Games Lawsuit is without merit. Nevertheless, if this lawsuit is determined adversely to GTECH, it could have implications for the Rhode Island Lottery under its contracts with GTECH and could give rise to claims by the Rhode Island Lottery under such contracts. The lawsuit, however, is still in its early discovery stage, and therefore, there can be no assurance as to what the outcome will be.

²⁰⁶ See, e.g., GTECH 2006 Annual Report at 39.

E. Employment Agreements with the Combined Company.

GTECH and Lottomatica have entered into new employment agreements (collectively, the “New Employment Agreements”) with Turner, Patel, DeSocio, Donald R. Sweitzer, GTECH’s Senior Vice President, Global Business Development and Public Affairs (“Sweitzer”), and Ms. Lavery O’Connor, GTECH’s Senior Vice President and Chief Marketing Officer, (“O’Connor” and collectively with Turner, Patel, DeSocio and Sweitzer, the “Executives”) which are contingent upon the consummation of the Proposed Transaction. Patel, DeSocio, Sweitzer and O’Connor are sometimes referred to in this Report as the “New Employment Agreement Officers”. These contracts are important to the State because they represent commitments by members of GTECH current management to remain with the Combined Company.

1. Turner.

The New Employment Agreement between Turner and Lottomatica will have a five-year term that will commence upon consummation of the Proposed Transaction. Turner will serve as Chief Executive Officer of Lottomatica and GTECH and, if elected, will serve as the Managing Director of Lottomatica. His annual base salary will be \$850,000 (which is a \$50,000 increase from his current annual base salary), and he will be entitled to: (1) a level of benefits during the term of the agreement that is substantially similar to the level of benefits provided generally to other senior executives of Lottomatica; and (2) executive perquisites substantially equivalent to the perquisites that Turner is currently entitled to receive. During the term of his New Employment Agreement, Turner will be eligible for a performance bonus ranging from 0% to 200% of his annual base salary, with a target bonus of 100% of his base salary.

Turner will, effective on the consummation of the Proposed Transaction, receive an initial equity incentive grant with a total value of \$6 million. Of this grant, 65% will be awarded as stock options to purchase Lottomatica Ordinary Shares and 35% will be a restricted stock award of Ordinary Shares of Lottomatica. Both the options and the share award will be subject to the Combined Company's equity compensation plan. The options will vest on a time-elapsed based schedule (which has not yet been determined by the Combined Company) consistent with similar options granted by the Combined Company to its senior executives and the share award will vest subject to Turner achieving certain performance goals and being continuously employed by the Combined Company. In addition, Turner will receive 232,500 restricted stock units with respect to Ordinary Shares of Lottomatica which units will vest and be payable in five annual installments on the first five anniversaries of the consummation of the Proposed Transaction. The Combined Company is entitled to substitute any stock awards or options with stock appreciation rights or restricted share units.

2. The New Employment Agreement Officers.

The New Employment Agreements with Patel, DeSocio and O'Connor will each have a five-year term that will commence upon consummation of the Proposed Transaction. The New Employment Agreement with Sweitzer will have a two-year term, subject to three one-year extensions at Sweitzer's option, which will commence upon consummation of the Proposed Transaction. Pursuant to the New Employment Agreements, Patel will serve as Chief Financial Officer of Lottomatica and GTECH, DeSocio will serve as Chief Administrative Officer of Lottomatica and GTECH and Sweitzer and O'Connor will continue to serve in their current capacities with GTECH following the consummation of the Proposed Transaction. The annual base salaries of:

(1) Sweitzer and O'Connor will remain at \$355,000 and \$300,000, respectively; (2) DeSocio's annual base salary will increase by \$25,000 to \$350,000, and Patel's annual base salary will increase by \$35,000 to \$490,000. All of these New Employment Agreement Officers will be entitled to: (a) a level of benefits during the term of their New Employment Agreements that are substantially similar to the level of benefits provided generally to other senior executives of Lottomatica; and (b) executive perquisites substantially equivalent to the perquisites that the executives are currently entitled to receive. Each of Patel's, Sweitzer's and O'Connor's target bonuses will remain at the same percentage of their annual base salary that is currently in effect (100%, 90% and 65% respectively) and DeSocio's target bonus will increase from 65% of his annual base salary to 75% of his annual base salary.

Under their New Employment Agreements, each of Patel, DeSocio and Sweitzer will, effective on the consummation of the Proposed Transaction, receive an initial equity incentive grant with a value of \$2.1 million, \$1.225 million, and \$1.125 million, respectively. Of such grants, 65% will be awarded as stock options to purchase Lottomatica Ordinary Shares and 35% will be awards of Lottomatica Ordinary Shares. Both the options and the share awards will be subject to the Combined Company's equity compensation plan. The options will vest on a time-elapsed based schedule (which has not yet been determined by the Combined Company) consistent with similar options granted by the Combined Company to its senior executives and the share awards will vest subject to such New Employment Officer achieving certain performance goals and being continuously employed by the Combined Company. In addition, each of Patel, DeSocio, and O'Connor will receive 82,600, 34,500 and 12,500 restricted stock units with respect to Lottomatica Ordinary Shares, respectively, which units will vest and be payable in five

annual installments on the first five anniversaries of the consummation of the Proposed Transaction. Sweitzer will receive 16,000 restricted stock units with respect to Lottomatica Ordinary Shares, which units will be issued in two installments on the respective anniversary of the consummation of the Proposed Transaction and 8,000 units for each year of additional employment for a maximum of three years. The Combined Company is entitled to substitute any stock awards or options with stock appreciation rights or restricted share units.

3. Reinvestment in Lottomatica.

Each of the New Employment Agreements with each of Turner, Patel, DeSocio and Sweitzer provide that each of such Executives will purchase Lottomatica Ordinary Shares in an amount equal to at least 50% of their respective net after-tax payments received as a result of the consummation of the Proposed Transaction (i.e. amount received from selling the shares of GTECH Common Stock and cashing-out GTECH stock options). The price per share paid by Turner, Patel, DeSocio and Sweitzer for each Lottomatica Ordinary Share will be the price per share of the Ordinary Shares sold in the Rights Offering. The New Employment Agreements also provide that the Lottomatica Ordinary Shares purchased by Turner, Patel, DeSocio and Sweitzer may not be transferred until the earlier of three years from the consummation of the Proposed Transaction or the termination of such officer's respective employment. Thus, these provisions attempt to tie the interests of Turner, Patel, DeSocio and Sweitzer to the interests of the Combined Company going forward.

F. Certain Agreements Covering a Change in Control.

The State Investigative Team has been informed that: (1) both Timothy B. Nyman, GTECH's Senior Vice President Global Services ("Nyman"), and Marc A.

Crisafulli, GTECH's Senior Vice President Gaming Solutions ("Crisafulli"), will not be employed by the Combined Company after the consummation of the Proposed Transaction; and (2) Nyman may be retained by the Combined Company as a consultant.

GTECH has assessed the value of the payments and benefits that each of Nyman and Crisafulli could receive under their respective change in control agreements (the "Change in Control Agreements") in connection with a termination of employment, such as the ones that will occur if the Proposed Transaction is consummated. The cash payment that Nyman would receive is \$1,966,273 and Crisafulli's cash payment would be \$1,837,721. In addition, the aggregate value of their unvested options and restricted stock (which would vest in connection with the Proposed Transaction) amounts to approximately to \$2.6 million for Nyman and \$3.9 million for Crisafulli.

VII. AREAS OF FOCUS CONCERNING LOTTOMATICA.

As discussed in Section V of this Report, the State Investigative Team conducted a due diligence review of Lottomatica and its direct affiliates. In the context of this investigation, the State Investigative Team, together with the State, questioned Lottomatica extensively about material items disclosed in the information produced to the State Investigative Team, identified certain subject matters as being particularly important for the State to consider and the State Investigative Team increased its scrutiny of these subjects. This section of the Report discusses the primary area that the State Investigative Team focused on during its investigation of Lottomatica.

A. Italian Lotto Concession Arbitration.

Lottomatica has historically derived a substantial portion of its total revenue from its operation of the Italian Lotto game in Italy. The Italian Lotto is an on-line lottery played across Italy. In its fiscal year 2005, for example, Lottomatica obtained

approximately 74% of its total revenues from operation from the Italian Lotto concession (Lottomatica's total revenue in its fiscal year 2005 was approximately €583 million (approximately \$744 million). The AAMS granted Lottomatica the exclusive right to operate the Italian Lotto for 18 years in April 1994, which was conditioned upon a determination by the European Court of Justice that such concession did not violate European Community Treaty provisions. The European Court of Justice made that determination on June 8, 1998. On March 7, 2005, Lottomatica initiated arbitration proceedings against the AAMS seeking to establish that the effective date of the Italian Lotto concession was June 8, 1998 and that as a result, the final expiration date of the concession was June 8, 2016 (rather than April 17, 2012 as the AAMS then contended). On August 1, 2005, the arbitration panel rendered a decision in favor of Lottomatica confirming, in effect, that the Italian Lotto concession would not expire until June 8, 2016. The AAMS²⁰⁷ has appealed the decision before the Court of Appeal of Rome and the court has scheduled the next hearing on the appeal for January 28, 2010.

Prior to the expiration of the Italian Lotto concession, the AAMS may, under certain circumstances, terminate the Italian Lotto concession. Upon the expiration or earlier termination of the Italian Lotto concession, in addition to other rights it has, the AAMS may: (1) award a new concession through a competitive bidding process (thus Lottomatica may lose the concession or obtain it on different terms); and/or (2) require that Lottomatica transfer, for no consideration, to the AAMS the entire automated system

²⁰⁷ During the week of June 19, 2006, the Italian press reported that the Director of AAMS, Giorgio Tino, allegedly received a bribe from persons involved in prostitution and illegal gaming. Lottomatica and De Agostini have confirmed that they were first aware of these allegations when they were reported in the press and that they have not been contacted by police or any other governmental authorities with regard to this matter.

Lottomatica uses to operate the Italian Lotto and any related assets necessary for the full functioning, operation and operability of the system (the “AAMS Transfer Provision”).

It bears noting that similar provisions to the AAMS Transfer Provision also appear in many other Lottomatica lottery concessions and in numerous GTECH contracts. Such provisions are not unusual in the lottery industry, as well as, terms: (1) requiring substantial performance bonds; and (2) providing for substantial monetary liquidated damages in the event Lottomatica or GTECH are in default under their concessions and contracts, respectively.

Any expiration or termination of the Italian Lotto concession will adversely effect Lottomatica’s business and operations since the concession is currently responsible for such a substantial portion of Lottomatica’s revenues. Additionally, since Lottomatica currently uses certain portions of the automated system and assets related to the Italian Lotto concession in other aspects of its business, it would adversely affect the operations of those businesses as well if the AAMS were to require Lottomatica to transfer the entire automated system and related assets to the AAMS at expiration or termination of the Italian Lotto concession. Lottomatica represented to the State Investigative Team that it is implementing a program by which it will use other systems and assets in connection with its other businesses, thus lessening this risk resulting from a loss of the Italian Lotto system and assets, but it is not possible to determine at this time the likely success and/or timing of such a program.

VIII. ASSESSMENT OF KEY INDIVIDUALS.

A. Assessment of Key GTECH Individuals.

1. William Bruce Turner.

a. Sources Reviewed.

The State Investigative Team reviewed the Personal Disclosure Forms supplied by Turner. In addition, the State Investigative Team conducted extensive public records research concerning Turner including, but not limited to, a review of records of federal, state and local courts, corporate filings and registries, judgment and lien indices, bankruptcy filings, local, national and international media and press reports and files maintained by numerous regulatory authorities and agencies world-wide. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Turner. The State Investigative Team then interviewed Turner to assess his suitability.

b. Background/Issues.

Turner graduated from the United States Military Academy at West Point in 1981 and between May 1981 and May 1986 served as a field artillery officer with the United States Army, from which he was honorably discharged. In December 1984, he received a Master of Arts in Business Management from Central Michigan University. In August 1989, Turner received a Masters of Business Administration degree from the University of Tampa.

Between April 21, 1986 and November 13, 1989, Turner worked as an assistant to the manager of customer service at Tampa Electric Company. Turner then was a Vice President of leisure equity research for Raymond James & Associates, a financial services firm ("Raymond James"), between November 1989 and January 1994.

Turner was a Managing Director of equity research for Salomon Smith Barney ("Salomon") between January 13, 1994 and February 19, 1999. When Turner joined Salomon directly from Raymond James, his analyst team accompanied him. During this time, Turner was widely recognized as a premier analyst in the gaming and leisure

industry, according to media sources. For example, *Institutional Investor* magazine repeatedly ranked him as the finest global analyst in the gaming field.²⁰⁸ *Gaming and Wagering Business* magazine also ranked him as one of the “25 most powerful people in the gaming industry.”²⁰⁹

Turner next worked briefly as an independent consultant and private investor from February 1999 to July 2000.

Turner joined GTECH's Board of Directors in October 1999 and served as Chairman of the Board from July 2000 through July 2002. He served as the company's acting Chief Executive Officer from August 2000 through March 2001. He is currently a Director, and the company's President and Chief Executive Officer.

Turner was a Director of Ameristar Casinos, Inc, a Las Vegas-based gaming company, from May 2001 to April 2005. An SEC filing announcing Turner's resignation from Ameristar Casinos, Inc. stated: “due to an increase in his responsibilities as Chief Executive Officer of GTECH Holdings Corporation, [Turner] has decided not to stand for re-election.”²¹⁰

No relevant criminal or civil filings were identified in which Turner was a party. No adverse financial filings such as liens, judgments, or bankruptcies were identified naming Turner as a debtor or defendant. Turner was not identified as the subject of any regulatory proceedings or agency actions.

Turner was registered with the securities departments of Florida and New York as well as numerous self-regulatory organizations. The State Investigative Team obtained

²⁰⁸ See, e.g., *The 1998 All America Research Team*, Institutional Investor, October 1, 1998. According to this article, Turner held the “first team” designation as highest ranked analyst from 1994 to 1996 as well as in 1998. He was ranked third in 1997.

²⁰⁹ See Ameristar Casinos, Inc. Press Release dated May 29, 2001, “Turner Appointed to Ameristar Board.”

²¹⁰ See Ameristar Casinos, Inc. Current Report on Form 8-K, filed with the SEC on April 15, 2005.

Turner's compliance report on file with the Florida Department of Securities. The file reported that Turner passed the Series 7, 16, 24 and 63 National Association of Securities Dealers examinations. Turner's file did not contain any reportable events.

In recent press coverage of the Illinois governor's race, the Republican challenger criticized Gov. Rod Blagojevich for accepting \$2,500 in political contributions from GTECH executives and \$10,000 from Scientific Games.²¹¹ Turner was referenced in some press coverage regarding this issue, but aside from these references, a search of international, national, local and trade media sources did not identify any adverse citations for Turner.

Turner is reported to be the second highest paid Chief Executive Officer in Rhode Island.

c. Conclusion.

The State Investigative Team has uncovered no information concerning Turner that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

2. Jaymin B. Patel.

a. Sources Reviewed.

The State Investigative Team reviewed the Personal Disclosure Forms supplied by Patel. In addition, the State Investigative Team conducted extensive public records research concerning Patel including, but not limited to, a review of records of federal, state and local courts, corporate filings and registries, judgment and lien indices, bankruptcy filings, local, national and international media and press reports and files maintained by numerous regulatory authorities and agencies world-wide. The State

²¹¹ See *Topinka Running Mate to Visit Edwardsville Today*, Belleville News-Democrat, January 17, 2006.

Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Patel. The State Investigative Team then interviewed Patel to assess his suitability.

b. Background/Issues.

Patel graduated from the University of Central England in Birmingham, United Kingdom with a Bachelor of Arts degree with honors in Accounting in 1989. Patel then joined the London office of PwC in 1989, where he remained until 1994. He worked as an Articled Clerk, Assistant Manager, and ultimately, Manager.

Patel joined GTECH Europe in July 1994 as the United Kingdom's Financial Controller and Finance Director for Europe and Africa. Patel then moved to the United States and has worked at GTECH's corporate headquarters since April 1997, serving in the following roles: (1) Director – Financial Planning and Evaluation; (2) Vice President – Financial Planning and Evaluation; and currently (3) Senior Vice President and Chief Financial Officer.

No relevant criminal or civil litigation was identified naming Patel, nor was he the subject of any reported regulatory proceedings. Additionally, no controversial financial filings were identified naming Patel.

Patel is registered as a Chartered Accountant with the Institute of Chartered Accountants in England & Wales ("ICAEW"). He became a member of the ICAEW on October 1, 1993 and is currently registered with the ICAEW at the Associate level, authorizing him to use the designation Associate Chartered Accountant. Patel has not been the subject of any adverse order by any of the ICAEW's professional conduct committees.

Patel was called to give a testimony by the Texas Lottery Commission on August 11, 2000 regarding lottery operations in the United Kingdom. No other notable citations for Patel were uncovered in a review of national and international media outlets.

c. Conclusion.

The State Investigative Team has uncovered no information concerning Patel that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

3. Walter G. DeSocio.

a. Sources Reviewed.

The State Investigative Team reviewed the Personal Disclosure Forms supplied by DeSocio. In addition, the State Investigative Team conducted extensive public records research concerning DeSocio including, but not limited to, a review of records of federal, state and local courts, corporate filings and registries, judgment and lien indices, bankruptcy filings, local, national and international media and press reports and files maintained by numerous regulatory authorities and agencies world-wide. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to DeSocio. The State Investigative Team then interviewed DeSocio to assess his suitability.

b. Background/Issues.

DeSocio graduated with a Juris Doctorate, *cum laude*, from New York Law School in June 1981 and received his Masters degree (LLM) from Corpus Christi College in Cambridge, England in 1982.

After graduation, DeSocio joined the New York office of the law firm of Dewey Ballantine LLP in September 1983. He remained an associate with the firm until April

1991, when he joined AT&T's law department in Basking Ridge, New Jersey. While there, he held various management positions, including Vice-President – Law. DeSocio then served as Vice President, Chief Administrative Officer and General Counsel of Internap Network Services Corporation in Atlanta, Georgia from September 30, 2002 to January 2, 2005.

DeSocio joined GTECH in January 2005 as Senior Vice-President, General Counsel and Secretary. In addition, he is GTECH's Chief of Compliance.

No relevant criminal records were identified in which DeSocio was a defendant. In addition, no adverse financial filings such as liens, judgments, or bankruptcies were identified naming DeSocio as a debtor or defendant. DeSocio was not identified as the subject of any regulatory proceedings or agency actions.

DeSocio is licensed to practice law in New York and Rhode Island. He has no public record of censure, disbarment or license suspension. The State Investigative Team verified with the: (i) New York State Office of Court Administration that DeSocio is licensed to practice law in the State of New York and has been so registered since 1981; and (ii) Rhode Island Board of Bar Examiners that DeSocio has been licensed to practice law as an in-house counsel in the State of Rhode Island since 2005 and that he is currently in good standing. The Third Judicial Department of the New York Supreme Court's Committee on Professional Standards has no record of a censure, disbarment or license suspension in DeSocio's file.

c. Conclusion.

The State Investigative Team has uncovered no information concerning DeSocio that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

4. Donald R. Sweitzer.

a. Sources Reviewed.

The State Investigative Team reviewed the Personal Disclosure Forms supplied by Sweitzer. In addition, the State Investigative Team conducted extensive public records research concerning Sweitzer including, but not limited to, a review of records of federal, state and local courts, corporate filings and registries, judgment and lien indices, bankruptcy filings, local, national and international media and press reports and files maintained by numerous regulatory authorities and agencies world-wide. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Sweitzer. The State Investigative Team then interviewed Sweitzer to assess his suitability.

b. Background/Issues.

Between 1985 and 1989, Sweitzer was the Finance Director of the Democratic National Committee in Washington, D.C. Subsequently, Sweitzer was employed by Blank Manafort Stone & Kelly from March 1989 to June 1992 as Vice President of Government Affairs.

Sweitzer was employed with Capitol Associates, Inc. from June 1992 to March 1994 as Vice President of Government Affairs. He then rejoined the Democratic National Committee in April 1994 as the Political Director, but later left to form and operate his own political consultancy firm. He was the Kentucky State Director for the Clinton-Gore Campaign in 1996. Between 1996 and when he joined GTECH in July 1998, Sweitzer operated his own consultancy firm, Dorset Resource and Strategy Group, and held the title of President of Government Relations.

Sweitzer joined GTECH in July 1998 as Senior Vice-President Government Relations. He is currently GTECH's Senior Vice President, Global Business Development and Public Affairs.

Sweitzer was a Director of Nestor, Inc. ("Nestor") from June 2004 to June 2005. On June 22, 2005, Nestor filed a Current Report on Form 8-K with the SEC announcing that Sweitzer and three other directors refused to stand for re-election to the Nestor board "because of fundamental disagreements with the chief executive officer concerning his management of the Company."²¹²

Sweitzer was Chairman of the Democratic Governors' Association's fund raising committee, and was affiliated with the organization from 1997 to 2004.²¹³ A media source reports that GTECH was the 13th largest contributor to this Association in 2005.²¹⁴

No relevant criminal or civil litigation was identified naming Sweitzer, nor was he the subject of any regulatory proceedings. Additionally, no controversial financial filings were identified naming Sweitzer.

c. Conclusion.

The State Investigative Team has uncovered no information concerning Sweitzer that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

²¹² Nestor's Chairman, George Ball, told the *Providence Journal* that "Their resignations had nothing to do with financial chicanery or dishonesty or anything like that... It was a difference of tonality of viewpoint, not one of resentments or allegations of improper conduct." See Andrea Stape, *Nestor CEO: Watershed Year Ahead*, *Providence Journal*, July 20, 2005.

²¹³ See Kenneth Vogel, *Lottery Deal Under Scrutiny*, *The News Tribune*, June 4, 2003.

²¹⁴ See Andrew Conte, *Firm Donates to Governors Days After Gambling Deal*, *Pittsburgh Tribune Review*, September 22, 2005.

5. Robert M. Dewey, Jr.

a. Sources Reviewed.

The State Investigative Team conducted a review of the Personal Disclosure Form supplied by Robert M. Dewey, Jr. ("Dewey"). In addition, the State Investigative Team conducted computer database public records research concerning Dewey including, but not limited to, a review of records of federal, state and local courts, corporate filings and registries, judgment and lien indices, bankruptcy filings, local, national and international media and press reports and files maintained electronically by numerous regulatory authorities and agencies world-wide. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Dewey. The State Investigative Team then interviewed Dewey to assess his suitability.

b. Background/Issues.

Dewey earned a B.A. in history from Yale in 1953. Between 1974 and 1995, Dewey worked for Donaldson, Lufkin & Jenrette Securities Corporation in New York, where he oversaw the Institutional Equities Division. Prior to that, Dewey worked for F.S. Smittiers & Co. and Delafield Childs Inc. He is currently retired from day-to-day business activities, but has been a director of GTECH since 1995 and he is currently GTECH's non-executive Chairman of the Board of Directors. He is expected to become a member of the Lottomatica Board of Directors.

No relevant criminal or civil litigation was identified naming Dewey, nor was he the subject of any regulatory proceedings. Additionally, no material controversial financial filings were identified naming Dewey.

c. Conclusion.

The State Investigative Team has uncovered no information concerning Dewey that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

6. James F. McCann.

a. Sources Reviewed.

The State Investigative Team conducted a review of the Personal Disclosure Form supplied by James F. McCann ("McCann"). In addition, the State Investigative Team conducted computer database public records research concerning McCann including, but not limited to, a review of records of federal, state and local courts, corporate filings and registries, judgment and lien indices, bankruptcy filings, local, national and international media and press reports and files maintained electronically by numerous regulatory authorities and agencies world-wide. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to McCann.

b. Background/Issues.

McCann earned a B.A. in psychology from John Jay College in 1975. In 1976, he opened his first retail flower shop and proceeded to build his own chain of flower shops in the New York metropolitan area. In 1986, he acquired the "1-800-Flowers" phone number and, in 1995, started the 1-800-flowers.com website. He is currently the Chief Executive Officer, Chairman and a director of 1-800-Flowers, Inc., a leading company in the retail floral and gift industry. He has been a director of GTECH since 2003 and he is expected to become a member of the Lottomatica Board of Directors.

No relevant criminal or civil litigation was identified naming McCann, nor was he the subject of any regulatory proceedings. Additionally, no controversial financial filings were identified naming McCann.

c. Conclusion.

The State Investigative Team has uncovered no information concerning McCann that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

7. Anthony Ruys.

a. Sources Reviewed.

The State Investigative Team conducted a review of the Personal Disclosure Form supplied by Anthony Ruys (“Ruys”). In addition, the State Investigative Team conducted computer database public records research concerning Ruys including, but not limited to, a review of records of federal, state and local courts, corporate filings and registries, judgment and lien indices, bankruptcy filings, local, national and international media and press reports and files maintained electronically by numerous regulatory authorities and agencies world-wide. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Ruys. The State Investigative Team then interviewed Ruys to assess his suitability.

b. Background/Issues.

Ruys served in the Dutch Army as a captain from 1966 to 1968 when he was honorably discharged. He then earned a law degree from Universiteit Utrecht in the Netherlands in April 1974. Ruys next worked for the Unilever Group from 1974 to 1993 in various marketing and general management positions. In 1993, Ruys joined Heineken N.V. (“Heineken”) as a member of its Executive Board. Ruys became Vice Chairman of

Heineken in 1996 and, in 2002, was named Chairman of its Executive Board. Ruys also sits on the Board of Directors of several large companies, including ABN Amro Holdings, N.V. -- which has come under media and stockholder scrutiny recently because of multimillion dollar fines assessed against the company by United States governmental bodies. He has been a director of GTECH since 1996 and he is expected to become a member of the Lottomatica Board of Directors.

No relevant criminal or civil litigation was identified naming Ruys, nor was he the subject of any regulatory proceedings. Additionally, no controversial financial filings were identified naming Ruys.

c. Conclusion.

The State Investigative Team has uncovered no information concerning Ruys that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

8. The Rt. Hon. Sir Jeremy Hanley KCMG.

a. Sources Reviewed.

The State Investigative Team conducted a review of the Personal Disclosure Form supplied by Rt. Hon. Sir Jeremy Hanley KCMG ("Hanley"). In addition, the State Investigative Team conducted computer database public records research concerning Hanley including, but not limited to, a review of records of federal, state and local courts, corporate filings and registries, judgment and lien indices, bankruptcy filings, local, national and international media and press reports and files maintained electronically by numerous regulatory authorities and agencies world-wide. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Hanley.

b. Background/Issues.

Hanley was a Member of the United Kingdom Parliament from April 1983 through May 1997, during which time he held various ministerial posts in the Government of the United Kingdom, including Cabinet Minister without Portfolio, Minister of State for Foreign and Commonwealth Affairs, Minister of State for the Armed Forces and Under-Secretary of State for Northern Ireland. Hanley has also served as the Chairman of the Conservative Party in the United Kingdom, where he is qualified as a chartered accountant. He currently sits on the Board of Directors of several large companies. Hanley has been a director of GTECH since 2001 and is expected to become a member of Lottomatica's newly created External Oversight Committee.

No relevant criminal or civil litigation was identified naming Hanley, nor was he the subject of any regulatory proceedings. Additionally, no controversial financial filings were identified naming Hanley. It should be noted, however, that because of Hanley's substantial media profile, several of his actions and affiliations have been criticized in the press.

c. Conclusion.

The State Investigative Team has uncovered no information concerning Hanley that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

9. Timothy B. Nyman.

a. Sources Reviewed.

The State Investigative Team reviewed the Personal Disclosure Forms supplied by Nyman. In addition, the State Investigative Team conducted extensive public records research concerning Nyman including, but not limited to, a review of records of federal,

state and local courts, corporate filings and registries, judgment and lien indices, bankruptcy filings, local, national and international media and press reports and files maintained by numerous regulatory authorities and agencies world-wide. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Nyman. The State Investigative Team then interviewed Nyman to assess his suitability.

b. Background/Issues.

Nyman received his Bachelor of Arts degree in Marketing from Michigan State University on December 7, 1973. He joined GTECH in 1979 and has held a variety of positions during the past twenty-seven years. He is currently the Senior Vice-President of Global Services, a position he has held for approximately three and one-half years.

Nyman also has served on the Board of Directors of International Display Works, Inc. of Roseville, California since 1999.

No relevant criminal or civil filings were identified in which Nyman was a party. No adverse financial filings such as liens, judgments, or bankruptcies were identified naming Nyman as a debtor or defendant. Nyman was not identified as the subject of any regulatory proceedings or agency actions.

c. Conclusion.

Nyman's employment with GTECH is anticipated to be terminated upon the consummation of the Proposed Transaction, although it is also expected that he will be retained by GTECH as a consultant. Regardless, the State Investigative Team has uncovered no information concerning Nyman that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

10. Marc A. Crisafulli.

a. Sources Reviewed.

The State Investigative Team reviewed the Personal Disclosure Forms supplied by Crisafulli. In addition, the State Investigative Team conducted extensive public records research concerning Crisafulli including, but not limited to, a review of records of federal, state and local courts, corporate filings and registries, judgment and lien indices, bankruptcy filings, local, national and international media and press reports and files maintained by numerous regulatory authorities and agencies world-wide. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Crisafulli. The State Investigative Team then interviewed Crisafulli to assess his suitability.

b. Background/Issues.

Crisafulli graduated from Boston University in May 1990 with a B.A. degree *magna cum laude* and received his Juris Doctorate degree from the Georgetown University Law Center in 1993. Crisafulli is licensed to practice law in Rhode Island and Massachusetts and has no public disciplinary record in either state.

Upon graduating from law school, Crisafulli was employed for one year as a law clerk in the United States District Court for the District of Rhode Island for District Court Judge Ernest C. Torres. Crisafulli then joined the Providence, Rhode Island law firm of Edwards & Angell, LLP ("E&A") in September 19, 1994 where he remained until March 31, 2001. During his tenure at E&A, Crisafulli undertook a significant amount of legal work for GTECH.

Crisafulli joined GTECH as Senior Vice-President, General Counsel and Compliance Officer in April 2001. In December 2003, Crisafulli resigned as General

Counsel and became GTECH's Senior Vice-President for Gaming, a position he has held to the present.

No relevant criminal or civil litigation was identified naming Crisafulli, nor was he the subject of any regulatory proceedings. Additionally, no notable financial filings were identified naming Crisafulli.

c. Conclusion

Crisafulli's employment with GTECH is anticipated to be terminated upon the consummation of the Proposed Transaction. Nevertheless, the State Investigative Team has uncovered no information concerning Crisafulli that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

B. Assessment of Key Lottomatica and De Agostini Individuals.

1. Lorenzo Pelliccioli.

a. Sources Reviewed.

The State Investigative Team reviewed corporate records and media articles concerning Pelliccioli and the Personal Disclosure Forms supplied by Pelliccioli. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Pelliccioli. The State Investigative Team then interviewed Pelliccioli to assess his suitability.

b. Background/Issues.

Pelliccioli is the Chief Executive Officer of De Agostini and the Chairman of Lottomatica. He had the most significant press profile of any of the individuals associated with any of the Corporate Subjects. Pelliccioli first came to prominence when he became the Chief Executive Officer of Seat Pagine Gialle ("Seat") in 1997, which had

just been bought by a consortium including De Agostini and Telecom Italia. Subsequently, a merger between the new media subsidiary of Telecom Italia and Seat generated controversy when it was revealed that several members of the Telecom Italia board, including the Chairman, Roberto Colaninno, held undisclosed interest in the company that controlled Seat.²¹⁵ Pelliccioli himself was criticized in the press for a profit of approximately €80 million (approximately \$102 million) that he made through stock options.²¹⁶ Pelliccioli received an “avviso di garanzia” (a notification that one is under investigation) from the police in Turin in connection with this profit.²¹⁷

During his interview with the State Investigative Team, Pelliccioli claimed that since the receipt of this “avviso” he has never been contacted by the police in connection with the investigation. He said that the charges were baseless and that they would soon become invalid due to the statute of limitations. Since this interview, the State Investigative Team has confirmed that the investigation of Pelliccioli has been discontinued without action being taken against him.

c. Conclusions.

Notwithstanding the investigation arising from the Seat/Telecom Italia merger, the State Investigative Team has uncovered no information concerning Pelliccioli that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

²¹⁵ See Vittorio Malagutti, *Telecom, bufera sui titoli in Piazza Affari*, Corriere della Sera, May 31, 2001, at 19.

²¹⁶ See e.g., *Paperon de' Pelliccioli*, Il Mondo, September 1, 2000 at 17; Mario Sensini, *I magistrati e le operazioni contestate. Nel mirino fusioni e stock-option. E poi ci sono le dimissioni di Benessia e Siniscalco*, La Stampa, May 31, 2001; Francesco Manacorda, *Le azioni Olivetti perdono l'8,91%, le Telecom il 4,52. La società: "Nessun avviso di garanzia"* Bufera in Borsa sui titoli di Colaninno *L'operazione Seat-Tin.it sotto la lente di Consob e Procura*, La Stampa, May 31, 2001; O.C., *La Consob e la Procura indagano Telecom ribatte - Tutto regolare*, Il Sole 24 Ore, May 31, 2001.

²¹⁷ See Vittorio Malagutti, *Telecom, tra gli indagati spunta Colaninno*, Corriere della Sera, June 14, 2001, at 23; O.C., *Seat-Tin.it, dieci indagati*, Il Sole 24 Ore, July 6, 2001.

2. Marco Drago.

a. Sources Reviewed.

The State Investigative Team reviewed corporate records and media articles concerning Marco Drago and the Personal Disclosure Forms supplied by Marco Drago. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Marco Drago. The State Investigative Team then interviewed Marco Drago to assess his suitability.

b. Background/Issues.

Marco Drago, chairman of De Agostini, is the most important figure in the De Agostini organization. He was instrumental in turning De Agostini from a publishing house into an international conglomerate. Media reports point to his insistence on going forward with the Seat merger, despite internal family resistance, as one of the key drivers of growth for De Agostini.²¹⁸ While the Seat transaction divided the Boroli and Drago families, it apparently also sealed Marco Drago's leadership among the shareholders of De Agostini.²¹⁹

Marco Drago notably was responsible for bringing in managers from outside the Boroli and Drago families into De Agostini's businesses and has a close relationship with Pelliccioli.²²⁰

²¹⁸ See V.S., *Torna la pax in casa De Agostini*, La Stampa, October 29, 1997.

²¹⁹ See Roberta Scagliarini, *Il Drago che ha voluto diventare Toro*, CorriereEconomia, March 31, 2003, at 6.

²²⁰ See Marcella Gabbiano, *De Agostini, la famiglia ha voltato pagina. Rivoluzionato tutto il gruppo*, La Repubblica, April 19, 1999, at 15; Mauro Gerevini, *De Agostini, i manager della svolta*, Corriere della Sera, March 26, 2003, at 31.

c. Conclusions.

The State Investigative Team has uncovered no information concerning Marco Drago that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

3. Rosario Bifulco.

a. Sources Reviewed.

The State Investigative Team reviewed corporate records and media articles concerning Rosario Bifulco ("Bifulco") and the Personal Disclosure Forms supplied by Bifulco. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Bifulco. The State Investigative Team then interviewed Bifulco to assess his suitability.

b. Background/Issues.

Bifulco is the former Chairman and current Chief Executive Officer of Lottomatica. The State Investigative Team understands that once the Proposed Transaction is consummated, Bifulco will resign as Chief Executive Officer and Turner will assume his position. Bifulco, however, will remain a board member of Lottomatica.

Press reports trace Bifulco's career back to the 1978-1993 time period when he worked for the car manufacturing group FIAT.²²¹ Bifulco rose quickly to become one of the youngest managers in the group and was considered to be one of the company's future leaders.

In 1993, Bifulco reportedly left FIAT to join the Techint Group, a conglomerate with operations in a variety of fields including steel products and oil and gas owned by

²²¹ See *Lottomatica: Staderini presidente, Bifulco amministratore delegato*, ANSA, March 26, 2002.

the Rocca family.²²² At Techint, Bifulco headed Humanitas – a Techint subsidiary engaged in the provision of private health solutions.²²³ Bifulco has been quoted in the media as having said that Lottomatica or De Agostini, or a subsidiary of either, would invest in his future projects once he has stepped down from his role as Chief Executive Officer of Lottomatica. When questioned about this during the course of his interview with the State Investigative Team, he repeated that he had been told that such a promise had been made, but that no details or written commitments exist.

c. Conclusions.

The State Investigative Team has uncovered no information concerning Bifulco that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

4. Marco Sala.

a. Sources Reviewed.

The State Investigative Team reviewed corporate records and media articles concerning Sala and the Personal Disclosure Forms supplied by Sala. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Sala. The State Investigative Team then interviewed Sala to assess his suitability.

b. Background/Issues.

Sala is the current General Manager of Lottomatica. He has a degree in economics²²⁴ and began his career working for Magneti Marelli, a FIAT-owned

²²² See Vincenzo del Giudice, *Lottomatica, con i tabaccai diventerà rete finanziaria*, Il Sole 24 Ore Plus, March 22, 2003.

²²³ See RaiDue – “Pinocchio”, AGI, September 29, 1998.

²²⁴ See *Lottomatica - Marco Sala condirettore generale*, AGI, March 28, 2003.

automotive components manufacturer.²²⁵ He was previously the Managing Director of Seat from March 2001 until the end of 2002. He became the co-Managing Director of Lottomatica in March 2003. In January 2006, when the Proposed Transaction was announced, Sala was given the responsibility for Lottomatica's Italian operations.²²⁶

c. Conclusions.

The State Investigative Team has uncovered no information concerning Sala that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

5. Paolo Ceretti.

a. Sources Reviewed.

The State Investigative Team reviewed corporate records and media articles concerning Paolo Ceretti ("Ceretti") and the Personal Disclosure Forms supplied by Ceretti. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Ceretti. The State Investigative Team then interviewed Ceretti to assess his suitability.

b. Background/Issues.

From 1979 until 2004, Ceretti worked for companies owned by the Agnelli family. The positions held by Ceretti included: (1) management with the Italian car manufacturer FIAT; (2) membership on the Board of Directors of La Rinascente, one of the largest Italian department stores,²²⁷ a position he held until June 1998;²²⁸ (3) a significant management role with Ifil (FIAT's holding company) in which he oversaw investments worth in excess of 200 billion lire (approximately \$131 million) in the

²²⁵ See Gianfrancesco Turano, *Old economy alla riscossa*, *Il Mondo*, March 3, 2000, at 44.

²²⁶ See De Agostini: *Turner (Gtech) diventa amministratore Lottomatica*, *AGI*, January 10, 2006.

²²⁷ See Cobolli - *Il fatturato Rinascente salira' a 8 mila miliardi*, *Corriere della Sera*, 19 June 1997.

Internet joint venture Ciaoweb; and (4) the Chief Executive Officer of Ciaoweb,²²⁹ during which tenure Ceretti was labeled in the press as one of the top 100 managers of Italy's internet world.²³⁰

In February 2004, Ceretti became the General Manager of De Agostini and in June 2004, he joined the Board of Directors of Lottomatica.

c. Conclusions.

The State Investigative Team has uncovered no information concerning Paolo Ceretti that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

6. Roberto Drago.

a. Sources Reviewed.

The State Investigative Team reviewed corporate records and media articles concerning Roberto Drago and the Personal Disclosure Forms supplied by Roberto Drago.

b. Background/Issues.

Roberto Drago, the younger brother of Marco Drago, is currently Deputy Chairman of De Agostini and a Director of Lottomatica. The media reviewed by the State Investigative Team indicates that he is considered to be the "financial brains" of the Boroli and Drago families and that he has been responsible for the financial aspects of all of De Agostini's important acquisitions.²³¹ He has largely avoided media scrutiny,

²²⁸ See Gianfrancesco Turano, *Old economy alla riscossa*, Il Mondo, March 3, 2000, at 44.

²²⁹ See *Fiat, Ifil to Invest 200 Bln Lire on Internet JV*, Reuters, December 16, 1999; *Fiat-Ifil - 200 Mld per "Ciaoweb"*, *Portale Internet*, AGI, December 16, 1999.

²³⁰ See *I Signori Della Rete*, Il Mondo, February 23, 2001, at 78.

²³¹ See Marco Cobiانchi, *Inchiesta: il futuro del gruppo tra famiglia e finanza. Colpi di Drago. Nuove strategie della De Agostini*, Panorama, April 4, 2003; *Editoria: De Agostini, nuova struttura organizzativa*, Ansa, March 9, 1999.

however, and it is not readily apparent to what extent he has an influence over the strategic direction of the conglomerate.²³²

In March 1999, Roberto Drago became one of three Vice-Presidents of De Agostini, and was given responsibility for finance. Roberto Drago is said to have devised, in conjunction with De Agostini's advisors -- Lehman Brothers, the acquisition strategy that led to De Agostini's acquisition of Lottomatica through the use of Tyche S.p.A., a special purpose vehicle (an "SPV"), which merged with Lottomatica in 2002.²³³ The strategy consisted of the creation of an SPV that would acquire the target asset and then repay debt through the use of the liquidity present in the acquired assets or by selling off the acquired company's non core-assets.

Roberto Drago previously held a seat on the board of directors of a small local bank, Popolare Commercio Industria. Popolare Commercio Industria merged with two other local banks, Popolare Bergamo and Popolare Luino e Varese and together formed Banche Popolari Unite ("BPU"). Roberto Drago remained on the board of BPU after merger and although having an influential industrialist on the board of directors of an Italian bank was not atypical, Roberto Drago's membership gave rise to allegations of conflict of interests.²³⁴ Italian corporate documents indicate that Roberto Drago resigned from BPU's board of directors on June 3, 2005.

²³² See Marco Cobiainchi, *Inchiesta: il futuro del gruppo tra famiglia e finanza. Colpi di Drago. Nuove strategie della De Agostini*, Panorama, April 4, 2003.

²³³ *Id.*

²³⁴ See Anna Martino, *Chi rischia di perdere il posto in banca con le nuove - regole targate Tremonti*, Il Mondo, February 6, 2004, at 16.

c. Conclusions.

The State Investigative Team has uncovered no information concerning Roberto Drago that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

7. Marco Boroli.

a. Sources Reviewed.

The State Investigative Team reviewed corporate records and media articles concerning Marco Boroli and the Personal Disclosure Forms supplied by Marco Boroli.

b. Background/Issues.

Marco Boroli is currently the Deputy Chairman of De Agostini and a Director of Lottomatica. Media reports suggest that Marco Boroli is the member of the third generation of the family that is closest to the current Chairman of De Agostini, Marco Drago.²³⁵ The press has described him as instrumental in supporting Marco Drago's decision to become an investor in Seat in 1997, a decision that with hindsight proved to be very profitable for De Agostini and became the financial springboard for De Agostini's acquisition strategy.²³⁶

c. Conclusions.

The State Investigative Team has uncovered no information concerning Marco Boroli that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

²³⁵ See V.S., *Torna la pax in casa De Agostini*, La Stampa, October 29, 1997.

²³⁶ *Id.*

8. Pietro Boroli.

a. Sources Reviewed.

The State Investigative Team reviewed corporate records and media articles concerning Pietro Boroli and the Personal Disclosure Forms supplied by Pietro Boroli. The State Investigative Team also conducted source enquiries focused upon issues of integrity and competence with regard to Pietro Boroli. The State Investigative Team then interviewed Pietro Boroli to assess his suitability.

b. Background/Issues.

In 1979, Pietro Boroli began working for the then-named Istituto Geografico De Agostini. From 1981 to 1983, Pietro Boroli was Assistant to the General Manager of Istituto Geografico De Agostini. The General Manager of Istituto Geografico De Agostini at the time was Marco Drago. In 1984, he was appointed Advertising Director, in 1985 Sales Manager of Partworks and Periodicals and in 1990 Director of the Collectibles Division. In 1998, he was given responsibility for coordinating the firm's activities in foreign markets and multimedia development.²³⁷

In March 2003, Pietro Boroli was appointed Chairman of Istituto Geografico De Agostini. When a new sub-holding entity, De Agostini Publishing, was created in April 2003, it absorbed Istituto Geografico De Agostini and Pietro Boroli remained its Chairman.²³⁸ In June 2003, he was appointed Vice Presidente of De Agostini. In this capacity, Pietro Boroli was essentially in charge of the traditional De Agostini publishing business. In April 2005, Pietro Boroli was appointed to the Board of Directors of Lottomatica. He is also a Director of De Agostini.

²³⁷ See *Il giro delle poltrone*, *Espansione*, April 30, 1998.

²³⁸ See *De Agostini. Nuova subholding: Boroli presidente*, *Il Giornale*, April 2, 2003.

c. Conclusions.

The State Investigative Team has uncovered no information concerning Pietro Boroli that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

9. Severino Antonio Salvemini.

a. Sources Reviewed.

The State Investigative Team reviewed corporate records and media articles concerning Severino Antonio Salvemini ("Salvemini") and the Personal Disclosure Forms supplied by Salvemini. The State Investigative Team then interviewed Salvemini to assess his suitability.

b. Background/Issues.

Salvemini is a professor and former Chairman of the SDA-Business Management School at the Bocconi University. He is currently the leading independent director of Lottomatica and he also participates in Lottomatica's Internal Control Committee.

c. Conclusions.

The State Investigative Team has uncovered no information concerning Salvemini that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

10. Paolo Guglielmo Luigi Ainio.

a. Sources Reviewed.

The State Investigative Team reviewed corporate records and media articles concerning Paolo Guglielmo Luigi Ainio ("Ainio") and the Personal Disclosure Forms supplied by Ainio.

b. Background/Issues.

Ainio has a background in new media and advertising and was the Chief Executive Officer of both Tin.it (Telecom Italia's new media unit which was to merge with Seat) and Matrix S.p.A. He has been an independent director of Lottomatica since 2002.

c. Conclusions.

The State Investigative Team has uncovered no information concerning Ainio that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

11. Gianmario Tondato da Ruos.

a. Sources Reviewed.

The State Investigative Team reviewed corporate records and media articles concerning Gianmario Tondato da Ruos ("Tondato").

b. Background/Issues.

Tondato is the Chief Executive Officer of Autogrill S.p.A. ("Autogrill"). He previously worked for Benetton Group S.p.A. ("Benetton") between 1987 and 2000. In 2000, Tondato went to work for Autogrill Group Inc. in the United States (at that time controlled by Benetton). In 2003, Tondato returned to Italy to become the Chief Executive Officer of Autogrill. At the beginning of 2005, Autogrill acquired the Spanish company Aldeasa, an airport retail outlets operator, for approximately €700 million (approximately \$892 million) and Tondato is currently a Director of Aldeasa. It is anticipated that Tondato will become a Director of Lottomatica after the consummation of the Proposed Transaction.

c. Conclusions.

The State Investigative Team has uncovered no information concerning Tondato that under Rhode Island law or regulations would warrant the Rhode Island Lottery withholding its consent for the Proposed Transaction.

IX. CONCLUSION.

[NOTE – TO BE COMPLETED.]

X. DEFINITIONS.

The following terms are defined in this Report:

1997 Contract is defined in Section VI.A.4. of this Report.

2003 Audit Report is defined in Section VI.A.4. of this Report.

2003 Contract is defined in Section VI.A.2. of this Report.

2005 Audit Report is defined in Section VI.A.4. of this Report.

2005 Lottery Legislation is defined in Footnote 3 of this Report.

AAMS is defined in Section V.C.2. of this Report.

AAMS Transfer Provision is defined in Section VII.A. of this Report.

Ainio is defined in Section VIII.B.10.a. of this Report.

Atronic is defined in Section VI.B. of this Report.

Atronic Put Right is defined in Section VI.B. of this Report.

Autogrill is defined in Section VIII.B.11.b. of this Report.

B&D Holding is defined in Section II.A.2.b. of this Report.

Benetton is defined in Section VIII.B.11.b. of this Report.

Berstein is defined in Section V.A. of this Report.

Bifulco is defined in Section VIII.B.3.a. of this Report.

Bonissoni is defined in Section V.B.4. of this Report.

Borrower is defined in Section II.C.2. of this Report.

BPU is defined in Section VIII.B.6.b. of this Report.

Brown Rudnick is defined in Section I.D. of this Report.

C&B is defined in Section I.D. of this Report.

CCS Agreement is defined in Section I.C. of this Report.

CCSP is defined in Section III.A. of this Report.

CEF Contracts is defined in Section VI.A. of this Report.

CEF is defined in Section VI.A. of this Report.

Ceretti is defined in Section VIII.B.5.a. of this Report.

Change in Control Agreements is defined in Section VI.F. of this Report.

Citigroup is defined in Section II.E. of this Report.

Combined Company is defined in Section II.B. of this Report.

Complete GTECH 2006 Annual Report is defined in Footnote 6 of this Report.

CONSOB is defined in Section V.D.2.d. of this Report.

CONSOB Prospectus is defined in Section V.D.2.d. of this Report.

Corporate Subjects is defined in Section I.D. of this Report.

Credit Suisse is defined in Section II.C.1. of this Report.

Crisafulli is defined in Section VI.F. of this Report.

Crivellaro is defined in Section V.B.3. of this Report.

DBR is defined in Section I.B.2 of this Report.

De Agostini Agreement is defined in Footnote 50 of this Report.

De Agostini is defined in Section I.A. of this Report.

DeQuattro is defined in Section V.A. of this Report.

DerVartanian is defined in Section V.A. of this Report.

DeSocio is defined in Section II.B. of this Report.

Detective Corporal Dougherty is defined in Section V.A. of this Report.

Detective Sergeant Flaherty is defined in Section V.A. of this Report.

Development Agreement is defined in Section IV.E. of this Report.

Dewey is defined in Section VIII.A.5.a. of this Report.

Disclosure Schedules is defined in Section II.B. of this Report.

Division of Commercial Licensing is defined in Section I.B.2 of this Report.

DOA is defined in Section I.A. of this Report.

DOR is defined in Section I.B. of this Report.

E&A is defined in Section VIII.A.10.b. of this Report.

EDC is defined in Section IV.E. of this Report.

Effective Date is defined in Section IV.A. of this Report.

EIL is defined in Section IV.A. of this Report.

Employment Requirement is defined in Section IV.E. of this Report.

Exchange Act is defined in Section II.E. of this Report.

Executives is defined in Section VI.E. of this Report.

Farrell is defined in Section V.B. of this Report.

First Amendment is defined in Section IV.D. of this Report.

Fourth Amendment is defined in Section IV.D. of this Report.

Freedman is defined in Section V.B.2. of this Report.

French is defined in Section V.B.2. of this Report.

Gaming Machines is defined in Section II.A.2.a. of this Report.

Gauselmanns is defined in Section VI.B. of this Report.

Gold Acquisition is defined in Section I.A. of this Report.

Gold Holding is defined in Section I.A. of this Report.

Goldman Sachs is defined in Section II.C.1. of this Report.

GTECH 2006 Annual Report is defined in Footnote 6 of this Report.

GTECH Brazil is defined in Section VI.A. of this Report.

GTECH Corporate Office is defined in Section V.D.1. of this Report.

GTECH is defined in Section I.A. of this Report.

GTECH Parties is defined in Section IX of this Report.

GTECH Rhode Island Agreements is defined in Section I.C. of this Report.

Hanley is defined in Section VIII.A.8.a. of this Report.

Harrah's Agreements is defined in Section VI.C.2. of this Report.

Harrah's Casino Project is defined in Section VI.C.2. of this Report.

Harrah's is defined in Section V.G.1.b. of this Report.

Harrah's Lease Agreement is defined in Section VI.C.2. of this Report.

Harrah's Master Agreement is defined in Section VI.C.2. of this Report.

Harrah's Participating Property is defined in Section VI.C.2. of this Report.

Harrah's Slot Lease is defined in Section VI.C.2. of this Report.

Hasbro is defined in Section V.G.1.b. of this Report.

Heineken is defined in Section VIII.A.7.b. of this Report.

Henderson is defined in Section V.B.2. of this Report.

Holley is defined in Section V.B.1. of this Report.

Houlihan Lokey is defined in Section II.E. of this Report.

Hybrid Bond is defined in Section II.C.3. of this Report.

Hybrid Bond Offering Circular is defined in Section II.C.3. of this Report.

ICAEW is defined in Section VIII.A.2.b. of this Report.

Instant and Traditional Lotteries is defined in Section II.A.2.a. of this Report.

Intercompany Loan is defined in Section II.C.5.b. of this Report.

Interlott is defined in Section IV.A. of this Report.

Invest Games is defined in Section II.A.2.c. of this Report.

Investment Requirement is defined in Section IV.E. of this Report.

Italian Lotto is defined in Section II.A.2.a. of this Report.

ITVMs is defined in Section IV.A. of this Report.

Karson is defined in Section V.B.1. of this Report.

Kroll is defined in Section I.D. of this Report.

Lewis is defined in Section V.B.2. of this Report.

Lottery Commission is defined in Section III.A. of this Report.

Lottery Director is defined in Section III.A. of this Report.

Lottery Regulations is defined in Section III.A. of this Report.

Lottomatica Corporate Office is defined in Section V.D.2.a. of this Report.

Lottomatica is defined in Section I.A. of this Report.

Lottomatica Primary Subsidiaries is defined in Section V.G.2.d. of this Report.

Master Contract is defined in Section I.A. of this Report.

McCann is defined in Section VIII.A.6.a. of this Report.

McConaghy is defined in Section V.A. of this Report.

Merger Agreement is defined in Section II.B. of this Report.

Milan Stock Exchange is defined in Section I.A. of this Report.

Moody's is defined in Section I.C. of this Report.

Multi-Jurisdictional Forms is defined in Section V.C.2. of this Report.

Najarian is defined in Footnote 5 of this Report.

NASPL is defined in Section V.C.3. of this Report.

Nestor is defined in Section VIII.A.4.b. of this Report.

New Employment Agreement Officers is defined in Section VI.E. of this Report.

New Employment Agreements is defined in Section VI.E. of this Report.

Nova Prima is defined in Section II.A.2.c. of this Report.

Nyman is defined in Section VI.F. of this Report.

O'Connor is defined in Section VI.E. of this Report.

OLG Agreement is defined in Section I.C. of this Report.

OLG Agreement is defined in Section IV.D. of this Report.

Original OLG Agreement is defined in Section IV.D. of this Report.

Pare is defined in Section V.B. of this Report.

Patel is defined in Section II.B. of this Report.

Pellicioji is defined in Section II.G. of this Report.

Personal Disclosure Forms is defined in Section V.C.2. of this Report.

Project is defined in Section IV.E. of this Report.

Proposed Transaction is defined in Section I.A. of this Report.

Proposed Transaction Proxy Statement is defined in Section II.E. of this Report.

Proposed Transaction Summary is defined in Footnote 1 of this Report.

PwC is defined in Section I.D. of this Report.

Ratings Action is defined in Section II.D.2. of this Report.

Raymond James is defined in Section VIII.A.1.b. of this Report.

Related GTECH Rhode Island Agreements is defined in Section I.C. of this Report.

Report is defined in Section I.A. of this Report.

Required Consent GTECH Contracts is defined in Section II.B. of this Report.

Research Update is defined in Section II.D.1. of this Report.

Rhode Island Lottery is defined in Section I.B. of this Report.

Rights Offering Circular is defined in Section II.C.1. of this Report.

Rights Offering is defined in Section II.C.1. of this Report.

RJSP is defined in Section I.D. of this Report.

Rome Data Room is defined in Section V.D.2.a. of this Report.

Ruys is defined in Section VIII.A.7.a. of this Report.

Sala is defined in Section II.G. of this Report.

Salomon is defined in Section VIII.A.1.b. of this Report.

Salvemini is defined in Section VIII.B.9.a. of this Report.

Scientific Games is defined in Section VI.D. of this Report.

Scientific Games Lawsuit is defined in Section VI.D. of this Report.

Seat is defined in Section VIII.B.1.b. of this Report.

SEC is defined in Footnote 6 of this Report.

Second Amendment is defined in Section IV.D. of this Report.

Selection Committee is defined in Section V.A. of this Report.

Senior Loan Agreement is defined in Section II.C.2. of this Report.

Senior Loan is defined in Section II.C.2. of this Report.

Silva is defined in Section V.A. of this Report.

SOX is defined in Section II.G., of this Report.

Specified GTECH Contracts is defined in Section II.B. of this Report.

SPV is defined in Section VIII.B.6.b. of this Report.

Standard & Poor's is defined in Section I.C. of this Report.

State Investigative Team is defined in Section I.D. of this Report.

State is defined in Footnote 4 of this Report.

State Lottery Act is defined in Section III.A. of this Report.

State Oversight Group is defined in Section V.A. of this Report.

State Working Group is defined in Section V.A. of this Report.

Stern is defined in Section V.A. of this Report.

Suffolk Downs is defined in Section V.G.1.b. of this Report.

Sweitzer is defined in Section VI.E. of this Report.

TCU is defined in Section VI.A.4. of this Report.

Technology Provider License is defined in Section I.B.1 of this Report.

Third Amendment is defined in Section IV.D. of this Report.

Tondato is defined in Section VIII.B.11.a. of this Report.

Top 20 GTECH Jurisdictions is defined in Section V.J. of this Report.

Toro is defined in Section II.A.2.b. of this Report.

Turner is defined in Section II.B. of this Report.

Upstream Guarantee is defined in Section II.C.5.c. of this Report.

VDR is defined in Section V.D.1. of this Report.

Video Lottery Terminal Act is defined in Section III.A. of this Report.

VLCC System is defined in Section IV.B. of this Report.

VLTA Agreement is defined in Section I.C. of this Report.

VLTA is defined in Section IV.A. of this Report.

Williams is defined in Section V.B. of this Report.

Withers is defined in Section I.D. of this Report.

XI. LIST OF EXHIBITS.

<u>Exhibit No.</u>	<u>Exhibit Description</u>
1.	Proposed Transaction Summary
2.	Letter Dated June 5, 2006 From GTECH Corporation To The State Of Rhode Island Department Of Administration
3.	Master Contract Dated May 12, 2003 Between The Rhode Island Lottery And GTECH Corporation
4.	Complete GTECH 2006 Annual Report
5.	Analyst Reports Concerning GTECH Holdings Corporation Issued By: (A) Citigroup Global Markets; (B) Morgan Stanley Equity Research North America; (C) Key Banc Capital Markets; (D) Merrill Lynch; (E) CIBC World Markets; (F) Goldman Sachs Global Investment Research; (G) Bank Of America; (H) Deutsche Bank Securities, Inc.; (I) Roth Capital Partners Equity Research; (J) SIG Susquehannah Financial Group; LLLP; and (K) Stifel Nicolaus & Co., Inc.
6.	Lottomatica's Current Corporate Structure
7.	Lottomatica Equity Holders
8.	De Agostini Equity Holders
9.	The Merger Agreement
10.	The Anticipated Corporate Structure Of The Combined Company After Completion Of The Proposed Transaction
11.	The Anticipated Officers And Directors Of The Combined Company After The Proposed Transaction
12.	Final Offering Circular For The Rights Offering Dated May 18, 2006
13.	Final Offering Circular For The Hybrid Bond Dated May 10, 2006
14.	Research Update From Standard & Poor's Concerning Lottomatica Dated January 10, 2006
15.	Ratings Action From Moody's Concerning Lottomatica Dated January 10, 2006

16.	Definitive Proxy Statement On Schedule 14A Of GTECH Holdings Corporation Filed With The U.S. Securities And Exchange Commission Under The Securities Exchange Act Of 1934, As Amended, On May 8, 2006
17.	The Video Lottery Central Computer System Agreement Between GTECH and The Rhode Island Lottery Dated As Of December 20, 2001 (As Amended By The Master Contract)
18.	Insurance Of The Types And In The Amounts Set Forth In The CCS Agreement That GTECH Is Required To Maintain
19.	2000 VLT Agreement Between The Rhode Island Lottery and GTECH Dated As Of September 28, 2000
20.	On-Line Gaming Agreement Between The Rhode Island Lottery And GTECH Dated January 29, 1997 As Amended On March 16, 1998, July 19, 1999, January 21, 2000 And May 14, 2001
21.	Development Agreement Between GTECH And The Rhode Island Economic Development Corporation Dated As Of January 1, 2005
22.	Illustrative List Of Documents That The State Investigative Team Reviewed Concerning GTECH
23.	Illustrative List Of Documents That The State Investigative Team Reviewed Concerning Lottomatica, De Agostini And Their Affiliates
24.	A List Of All Of The GTECH Corporate Entities For Which The State Investigative Team Reviewed Corporate Minute Books And Board Of Directors Materials